Daily Report
Supplement

East Europe

Economic Review

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East Europe
SUPPLEMENT
Economic Review

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Albania

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UNEMPLOYMENT UP: Our government declares that there are approximately 260,000 unemployed people. The year 1994 closed with roughly the same number of jobless people: 261,850 strong. This number has grown by 3,865 all over the country over the first two months of the current year. Thus, at present, the number of unemployed people in Albania is 265,715. Of this figure, 92,837 persons are the heads of family, meaning persons who are responsible for the economic situation of their families. According to age group, we have the following composition: 41,564 unemployed up to the age of 20, 122,554 from 21 to 34 years of age, and 101,597 over the age of 34. As can been seen, it is the ablest age group that is affected most by unemployment. As far as their education level is concerned, though the figures show no great differences, one can observe that there are 4,356 more unemployed people with secondary education than those with eight years of education. This happens perhaps because employment in Albania does not necessarily depend on qualifications. There are 8,341 unemployed with university diplomas. At the end of 1994, the number of the unemployed people who received unemployment payments was 50,776. This number increased during the first two months of the current year, reaching the figure of 54,034. The greatest percentage of the unemployed receiving unemployment pay, around 80 percent of them, live in towns. This is so because the unemployed in the countryside, de jure have got their plots of land, though de facto these parcels are either uncultivated, just bare land, or they are so poor as farmland that they can only be used for grazing. This also explains why unemployment in the towns amounts to 178,470, while in the countryside it officially stands at 33,024. The number of new entrants, that is those who registered as unemployed for the first time in February, is 187; 164 in the towns and 23 in the countryside. The degree of equality between women and men, as a "social" tradition in our country, is also mirrored in the unemployment figures provided by statistics. All over the country, there are 121,703 jobless women, which constitutes half of the total number of unemployment. The figures show that the unemployment phenomenon is on the rise in all components. However, while this could be considered as something natural and favorable for a number of social aspects, for a considerable part of the population it is a vital problem and a catastrophe. (Tirana POPULLI PO in Albania 26 Apr 95 p 2) EC TO GRANT ASSISTANCE: In the framework of PHARE (Economic Reconstruction Aid for Poland and Hungary) program, the EU plans to grant ECU800,000 to assist the local government in Tirana and the Korce municipalities by introducing a modern computer system and offering training courses for administration employees. These municipalities will serve as models for the reconstruction of local government administrations at the communal and municipal levels. (Tirana ATSh Domestic News Bulletin in Albanian 1800 GMT 21 April 95)

SWISS MEDICAL AID: The Swiss Government has accorded 2.4 million francs for the first phase of a project for the National Institute of Public Health. The Swiss Government has envisaged a total of 10 million francs for the whole project, which will be carried out from 1995 to 1997. (Tirana Radio Tirana Network in Albanian 1330 GMT 3 May 95)

LOAN, TRADE AGREEMENTS: The Council of Ministers on 3 May endorsed a decision to approve in principle a 20-million schilling loan agreement with Austria to support a balance of payments and an agreement with the Russian Government on cultural and scientific cooperation. The cabinet also endorsed a decision to approve an agreement with the Romanian Government on trade and economic relations, as well as a decision to approve a 2-million German mark project on economic legislation on technical and financial cooperation with Germany. (Tirana TVSh Television Network in Albanian 1800 GMT 3 May 95)

EXPORT, IMPORT DATA: Official statistical data for the first quarter of 1995 show a high trade deficit of $122 million. According to these data, the export-import figures during the first quarter of 1995 were as follows:

Export Values During the First Quarter of 1995, All of 1994

Period	Total (in million leks)
January	1,007,000
February	1,508,000
March	1,350,000
First quarter total	3,865,000
Total for 1994	13,398,000

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Import Values During the First Quarter of 1995, All of 1994

Period	Total (in million leks)
January	5,015,000
February	5,281,000
March	4,891,000
First quarter total	15,187,000
Total for 1994	57,169,000

TRADE PARTNERS' IMPORT DATA: According to figures issued by the Albanian Customs House, Italy and Greece were Albania's main commercial partners, and the main figures on import for the first quarter of 1995 were as follows:

Main Imports for 1995 January-March Period (in Million Leks)

Country	January 95	February 95	March 95
Austria	63	132	167
Bulgaria	309	342	606
France	24	54	83
Germany	411	246	259
Greece	977	1,111	1,339
Italy	2,174	2,177	1,727
Macedonia (FYROM)	63	139	153
Turkey	146	211	155
Netherlands	37	25	59

Bulgaria

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BASE INTEREST RATE CUT: The National Bank of Bulgaria (BNB) reduced the base interest rate (BIR) twice within a month. From the record high of 72 percent set in September 1994, it dropped by 7 points down to 65 percent as of April 10 and further down to 60 percent as of April 25. The reduction was preconditioned by the drop of inflation in the first three months of 1995 and the expectations for this trend to persist, BNB Deputy Governor Mileti Mladenov declared. Inflation dropped to 3.4 percent in March—down from 3.9 percent in January and 3.8 percent in February, and in April it is expected to be under 3 percent. Mladenov believes the policy of reduction of the BIR will turn into a long-term strategy if inflation remains at sustainable low levels. The new BIR will keep interests on deposits positive, i.e. inflation will not eat away deposits of members of the public, as was the case in 1994. With an inflation of 11.43 percent in January-March, the real interest rate (nominal interest rate minus inflation rate) payable on short-term deposits was 2.86 percent and that on short-term loans 9.23 percent. For the whole of 1994, the real interest rate on deposits was minus 25.67 percent, and on loans minus 8.87 percent, Mileti Mladenov went on to say. He believes leva deposits will not become less attractive for members of the public even though commercial banks are sure to reduce interest rates on them by 5 to 8 points. An additional precondition for reducing the BIR was the government policy of pushing down interest rate levels and relaxing the monetary policy in a bid to boost production. The 1995 national budget should set the annual BIR at 51 percent. Bulgaria's economy has entered a period of dropping interest rates and inflation, stabilizing national currency, relative growth of production, export and GDP. Bank experts say the BNB's restrictive policy in 1994 was one of the major causes for seeing these trends today. A further factor was the rising dollar in 1994—from 31.755 leva on January 3 to 66.014 leva on December 30—that boosted exports, which in turn pushed up production and increased producers' revenues, experts also say. The launch of privatization is a major event awaiting the financial sector. It will increase the demand for low-interest loans and thus exert pressure on the foreign exchange market. The BNB deputy governor believes it is too early to say whether the lower BIR will keep up the stability of the interbank foreign exchange market. However, the appreciation of the lev against the dollar since early 1995 has been accompanied by a slump against the German mark, the second major foreign currency in this country. In the first quarter of 1995, the upward trend of the German mark was pegged to the inflation rate rise, at times running ahead of it, Mladenov said. From 42.643 leva on January 2, 1995, the German mark today trades at 47.395 leva. The lev/dollar exchange rate in this period was relatively stable, and has only moved down from 66.105 to 65.263 leva for $1. (Sofia BTA in English 1059 GMT 27 Apr 95)

FURTHER BIR CUT: The BNB today decided to reduce the 60 percent BIR by 6 points. The new BIR will be effective as of May 8, after it has already been reduced twice: from the record high 72 percent down to 65 percent on April 10, and further down to 60 percent

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on April 25. The BNB Governing Board also decided to reduce the annual interest rate payable on commercial banks' minimum mandatory reserves in leva from 12 percent to 10 percent. The interest rate on commercial banks' current accounts at the central bank, too, was pushed from 18 percent down to 14 percent per year. The BNB further decided to restore the standard 7 percentage points charged in addition to the BIR on commercial banks' overdrafts within three days. The annual interest rate on three-day overdrafts was set at 61 percent. The additional interest charged to date has been 18 percentage points. BNB Under-Governor Lyubomir Filipov made no secret of the fact that the central bank's decisions were taken "in agreement with the cabinet, and this (agreement) is the macroeconomic framework of the 1995 budget." To have an average interest rate of 51 percent as provided for by the budget, the BIR should go further down. (Sofia BTA in English 1753 GMT 4 May 95)

LOAN SIGNED WITH EU: Deputy Prime Minister and Minister of Foreign Economic Cooperation Kiril Tsochev and Ambassador Thomas O'Sullivan of the EU mission here, today signed financial memorandums on assistance to Bulgaria under operation PHARE (Economic and Reconstruction Aid for Poland and Hungary) program. The documents envisage that Bulgaria receive ECU60 million. The memorandums were signed under an indicative program of late August 1994 under PHARE, which set priorities for the cabinet's work over a certain period of time, chief adviser in the cabinet's European Integration Commission Emil Goranov told the BTA. The 1994 indicative program provided for ECU85 million EU fund to Bulgaria: ECU25 million under the EU INTEREG program for transborder cooperation that are already being used and ECU60 million to be extended under today's memorandums. Bulgaria this year embarks on a new stage of relations with the European structures, an element in which will be the drawing up of a long-term program with an emphasis on investment projects, Deputy Prime Minister Tsochev told journalists after the signing of the documents. He said a failure to come to a common understanding on how EU funds should be utilized is the reason why the funds were not used up. "These funds are extended by the EU as financial aid and the cabinet's desire now is to use them 100 percent, which is also the task of the European Integration Commission operating with the cabinet," Tsochev also said. Goranov said that part of the ECU60 million have already been distributed. It is planned that ECU12 million will go for helping the transportation infrastructure, ECU3 million for mass privatization, ECU15 million for power production and particularly the Maritsa-Iztok power plant, ECU1.2 million for nongovernment organizations, ECU5 million for nuclear safety, ECU4.2 million for the environment, ECU1.2 million for information on European integration, ECU3 million to the Committee of Posts and Telecommunications and ECU3.4 million for conventional power production. EU financial aid to Bulgaria over the 1990-94 period totalled ECU342.5 million (exclusive of the new ECU60 million). In 1990 the EU funds were ECU25 million, in 1991-92, ECU160 million, in 1993, ECU90 million and in 1994, ECU85 million. Some ECU85 million are expected to come this year, for which an program will probably be signed in about two months' time. Of the total of ECU342.4 million that came from the EU, only some 53 percent have been used up to now (ECU180.9 million). Of the funds it has received, education utilized 97.6 percent, nuclear safety 72.8 percent, agriculture 64.2 percent, health care 78.8 percent, the finance sector 11.8 percent, small- and medium-sized enterprises 5.6 percent, and the social sector 27.5 percent, said Goranov. (Sofia BTA in English 1118 GMT 3 May 95)

NEFTOKHIM PROFITS: The Neftokhim Company of Burgas reported operating profits of 5 billion leva for 1994. The annual results, adopted yesterday, show that chemicals and plastics manufacture were the most profitable activities. Last year the refinery processed 6.674 million metric tons of crude oil and produced 1.216 million metric tons of vehicle gasolines, representing an increase of 4 and 6.5 percent, respectively, over the 1993 figures. The refinery also produced 2.043 million metric tons of diesel fuel. Compared to 1993, its output of light marine fuels increased by 165 percent, and of plastics by 12 percent. Production of phenol, acetone, and latexes also increased. In 1994, the company spent almost 1.5 billion leva on overhauling the refinery's equipment, and invested 2.7 billion leva in long-term capital assets.It reduced technical losses by 0.3 percent and electricity consumption by 1 percent. In contrast to previous years, Neftokhim used more of its capacities to refine its own crude oil, in preference to processing batches of crude for other companies. At the moment, the refinery is processing 18,000 metric tons of crude per day. (Sofia TRUD in Bulgarian 22-23 Apr 95 p 7)

CONSTRUCTION INDUSTRY: Over 460 trading companies and almost 90,000 employees are active in the construction industry, which showed signs of stabilizing in 1994, Doncho Konakchiev, minister of regional development and construction, said yesterday. In 1994 they earned 40.635 billion leva, against oulays of 40.216 billion leva. Deputy Minister Iliya Radev reported that the industry reduced its net losses from 590 million leva in 1993 to 357 million leva in 1994. He said that 239 firms in the industry are making net profits. However, only the ceramic plants are working at full capacity.

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Radev said that cement output doubled in 1994, although production was only one-third of that recorded in 1989. Deputy Minister Radev said that 19 companies in the industry were in a critical state and will probably be shut down. The Construction Ministry has plans to merge a further 40 companies into existing organizations. (Sofia PARI in Bulgarian 27 Apr 95 p 4)

PRIVATE FIRMS DORMANT: Plamen Puchev, a consultant of the BNB, announced on 26 April that 40-50 percent of private companies exist only on paper. So far, about 415,000 small- and medium-sized private companies have been registered. According to Puchev, only 170,000-200,000 of these are actually engaged in business. Puchev said that on average private businessmen seek bank loans ranging from 100,000 to 400,000 leva for a maximum of three months. Most private businessmen are engaged in the services industry (36 percent), followed by trade (20 percent), and production (10 percent). In 1994, private businesses were responsible for 56.7 percent of national trade, valued at 38 billion leva. (Sofia STANDART NEWS in Bulgarian 27 Apr 95 p 13)

TRADE WITH RUSSIA: According to the daily DUMA, projections set the 1995 commercial exchange between Bulgaria and Russia at $2.0-2.5 billion. In 1994, trade between the two countries amounted to $1.6 billion. Bulgaria imported goods and services valued at $1.2 billion from Russia, while Bulgarian exports to that country totalled $4 million, producing a trade deficit for the third year in succession. (Sofia BTA in English 1153 GMT 27 Apr 95)

AIRBUS COMPANY: Yesterday Transport Minister Stamen Stamenov, citing information provided by Deputy Prime Minister Gechev, announced that the Airbus Company has proposed a barter deal, supplying aircraft in return for unspecified goods. Stamenov said that Balkan Airlines is not only seeking to acquire Russian aircraft but will respond to any advantageous offers of 50-60-seater passenger aircraft. The decline in passenger traffic has compelled the airline to use smaller aircraft. Stamenov said that the renovation of Sofia Airport will begin in the second half of 1995. He also mentioned that when the airport repairs are completed, there is a possibility that the airport authority may merge with Balkan Airlines to form a joint company. (Sofia STANDART NEWS in Bulgarian 28 Apr 94 p 11)

PILOT ELECTRONICS PLANT: Samsung has started construction of a pilot plant near Berkovitsa (northwestern Bulgaria), the daily DUMA reports. The South Korean company hopes to win contracts under the plans to construct a data transmission network for Bulgarian Posts that will connect Bulgaria to the world network. The two countries have also agreed on a project for joint telephone production. (Sofia BTA in English 1304 GMT 28 Apr 95)

PLOVDIV SPRING FAIR: This morning Kiril Tsochev, deputy prime minister and minister of trade and foreign economic cooperation, opened the International Spring Fair in Plovdiv. The exhibitors comprise 1,227 companies from 37 countries, including Germany, Greece, Italy, Turkey and France, China, Croatia, and Moldova. South Africa is officially represented for the first time. (Sofia BTA in English 1535 GMT 1 May 95)

BRITISH DELEGATION: A delegation of British businessmen led by the director of the East European Trade Council with the Department of Trade and Industry arrived here today. It includes members of a British-Bulgarian working group on electronics and representatives of 16 leading British companies. The delegation will meet Industry Ministry officials and executives of electronic engineering companies and will visit the Plovdiv Fair. (Sofia BTA in English 1728 GMT 1 May 95)

REGIONAL COOPERATION: In Blagoevgrad today representatives of Sofia Region and Moscow Region signed a cooperation protocol on business contacts, joint production and processing of agricultural products, manufacture of and trade in consumer goods, pharmaceuticals, electronics and engineering products, and cooperation in tourism. The document lays the groundwork for setting up Bulgarian-Russian joint ventures and for information and cultural exchange. (Sofia BTA in English 1728 GMT 1 May 95)

EBRD INVESTMENTS: The European Bank for Reconstruction and Development (EBRD) holds interest in six Bulgarian banks and companies, TRUD writes. The paper says that in 1994 the EBRD invested ECU20.26 million under projects signed by Bulgaria, acquiring shares in return. Thus it finances part of the projects aimed to promote the Bulgarian private sector. The 1994 investments account for 16 percent of the total amount of the projects, TRUD says. (Sofia BTA in English 1756 GMT 2 May 95)

GOLD FOUND: The largest commercial gold deposit in Bulgaria was discovered near the village of Gugutka, the Ivaylovgrad municipality (southern Bulgaria), a front-page story in 24 CHASA says. Two Bulgarian geologists found more than 150 kilogram of gold. The gold vein is 300 meters long, 3 meters wide and 2 meters thick, with five branches. There is another vein under the first one; it is 65 meters wide on the surface, its depth is not determined yet, the paper writes. (Sofia BTA in English 1756 GMT 2 May 95)

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PRIVATIZATION RECEIPTS: On 2 May the Supervisory Board of the Privatization Agency adopted a report on the first quarter's activities, according to which 10 major deals were completed. The firms privatized included Astika, Kamenitsa, Svikorn, and Tompson. The receipts from the sales totalled about 600 million leva, of which 326 million was in cash and 246 million in Brady bonds. The board members instructed the agency's executive director to submit proposals for accelerating the privatization process. They considered that the difficulties in selling state-owned firms had mainly stemmed from legal difficulties. Supervisory Board Chairman Dimitur Stefanov said that interest had been shown in investing in some 120 companies, but that the drafting of the necessary legal analyses of the companies had been delayed by more than one year. (Sofia PARI in Bulgarian 3 May 95 p 2)

EBRD MAY TERMINATE LOANS: The EBRD may terminate all loan agreements for the Bulgarian power industry, PARI reports, citing a letter from the EBRD to Prime Minister Zhan Videnov. So far loans totalling ECU40 million have been negotiated, designated mainly to build an eighth power generating unit at the Maritsa-Iztok Thermoelectric Power Station. The EBRD experts complain that nothing has been done to meet the EBRD requirement to increase electricity prices and adjust them for inflation on a regular basis. At present, electricity costs the consumer less than 20 cents per kilowatt-hour, whereas some time ago the World Bank demanded a price increase to 35 cents. (Sofia BTA in English 1058 GMT 4 May 95)

GDP FORECAST: The National Statistical Institute (NSI) predicts that GDP will grow by 1.5 to 3.5 percent in 1995, TRUD reports. According to NSI, this year's inflation will not exceed 60-70 percent and will fall to 40-50 percent in 1996. The NSI believes that in 1995, unemployment will stay at its 1994 level of around 19-20 percent, with a downward tendency over the next few years. (Sofia BTA in English 1058 GMT 4 May 95)

BRITISH FIRMS' ACTIVITIES: According to STANDART NEWS today, some 60 British companies, ranging widely in their lines of business and volume of investment, are currently operating in Bulgaria through offices or representations. The total amount of British investment is estimated at about $200 million. The companies involved include British Gas, which is prospecting for oil and gas in the Black Sea; Shell, which has invested $10 million in gasoline stations throughout Bulgaria; the Rover Group, which has been setting up a plant to assemble Maestro cars and pickups; the Radio Telecommunication Company, which has installed and is managing the national network of mobile phones and wireless telephones; ICL, which has been a key supplier of computer hardware and software since 1968; Rank Xerox, and Betcom. Bulgaria's main imports from Britain are whisky, specialized machines, vehicles, chemicals, office equipment, and research apparatus. Bulgaria exports to Britain wines, clothes, yarns, textiles, and shoes. The British Government's Know-How Fund, set up in 1991, has financed over 100 projects in Bulgaria valued at around 5 million pounds sterling. The fund encourages British firms to invest in Bulgaria, and has been sponsoring specialized training of Bulgarian staff of British companies. (Sofia BTA in English 1916 GMT 4 May 95)

PRIVATIZATION REPORT: The Sofia City Privatization Agency has adopted its 1994 report and its 1995 program. Last year the agency held 25 auctions and 17 tenders worth over 305 million leva. The units sold by tender led to the creation of 589 new jobs. Proceeds from the privatization of municipal sites in Sofia amounted to 332.3 million leva, while expenses were 3 million leva. This year's program plans to privatize 11 municipal companies and of 120 self-contained parts and divisions of municipal companies, producing an estimated 400 million leva. (Sofia BTA in English 1602 GMT 7 May 95)

NETHERLANDS BANK: The Dutch ING Bank will advertise Bulgarian enterprises abroad through its operations in the Republic of Korea, the Netherlands, and Germany. In June the Privatization Agency will be given the chance to advertise its activity to potential investors in those countries. ING Bank will also cooperate with the Privatization Agency as an intermediary in individual privatization transactions. Jos de Vit, Director General of the ING Bank Sofia office, confirmed that his bank will sell shares of Bulgarian enterprises. ING Bank opened an office in Sofia about a year ago. (Sofia BTA in English 1605 GMT 9 May 95)

KREMIKOVTSI PLANT: STANDART NEWS reports that an Austrian company will open a new line for continuous steel casting at the Kremikovtsi Iron and Steel Works near Sofia. The line costs $80 million and uses novel technology. The State Fund for Reconstruction and Development will also lend $36 million for the project. (Sofia BTA in English 0926 GMT 10 May 95)

AIR SERVICE TO CHISINAU: An AN-24 Air Moldova plane landed at Sofia Airport at noon today on the first regular flight between Chisinau and Sofia. The new service will have two flights weekly in each direction, on Wednesdays and Saturdays. (Sofia BTA in English 1801 GMT 10 May 95)

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Czech Republic

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ECONOMIC OVERVIEW: In 1994 the development of the Czech economy was in line with trends outlined by the government, and the government views it as positive, according to a government document recently submitted to parliament deputies. Economic transformation continued in conditions of political stability, and the developments were characteristic with the unambiguous emergence of growth trends, the document says. Macroeconomic stability persisted in 1994, when prices were developing moderately, the balance of payments recorded favorable development, the exchange rate was stable and the unemployment rate low. The second wave of coupon privatization represented the successful completion of ownership transformation. The nonstate sector now produces a decisive part of GDP, the government says in the document. The course of economic transformation is positively affected by the maintenance of social peace, the document continues. Favorable internal economic development and political stability are also reflected by the Czech Republic's (CR) favorable rating: the latest ratings of two main rating agencies, Moody's and Standard and Poor's, place the Czech Republic in the investment grade—as the only state from all countries undergoing transformation. It means that the CR has been recognized as a country with better conditions for foreign capital entrance, the document states. In the latest quarterly review published by the Economist Intelligence Unit, which evaluates the trustworthiness of 26 emerging markets, the CR placed sixth, after Singapore, Taiwan, Hongkong, South Korea and Portugal. It is followed, for example, by Thailand, Israel, and all Central and Eastern European reform economies, the government document points out. In 1994, GDP rose by 2.6 percent against 1993, it continues, citing figures from the Czech Statistical Office (CSU). Industrial output rose by 2.1 percent, construction output by 7.5 percent and retail trade by 5.5 percent. Consumer prices rose by 10.2 percent. Labor productivity rose for the first time since the beginning of the reform after the late 1989 collapse of communism in the country, the document continues. The unemployment rate stagnated in the course of 1994, at the end of which it was 3.2 percent. A trade deficit of 12.5 billion Czech korunas (Kc) was recorded in 1994 due to the quicker growth of imports than exports. Exports rose by 6.9 percent against 1993, while imports rose by 13.1 percent. The active balance of payments figures resulted in the highest level of hard currency reserves since the beginning of economic reform. The overall hard currency reserves in Czech banks rose in 1994 to $8.9 billion from $6.2 billion, while the rise was to $6.2 billion from $3.9 billion in the Czech National Bank (CNB) alone. Czech debts to the International Monetary Fund (IMF) were paid off in advance, by which the CR—as the first state from reform economies—ceased to be a debtor country and became a creditor. State budget revenues made up Kc390.5 billion in 1994, with expenditures at Kc380.1 billion. The budget surplus was Kc10.4 billion, the document says. Insolvency of some institutions and potential inflation pressures ensuing from the inlow of foreign capital and from the rising wage tendecies rank among negative phenomena of Czech economic development in 1994, the document says. (Prague CTK in English 1115 GMT 29 Apr 95)

WAGES UP: CSU has reported that state-wide average monthly wages reached Kc7,114 last year, which represents a year-to-year increase of 17 percent. Income in households of employed, childless people increased by 16.2 percent. The average net monthly income per person was Kc4,568. Expenditures per person in households of employed people amounted to Kc4,419. The difference in expenditures between households with children and without is about Kc2,300 in favor of childless families. LIDOVE NOVINY quotes Prime Minister Vaclav Klaus: "In the first quarter of 1995, average wages rose 17.9 percent. If the rate of inflation of 9.6 percent is deducted, we are left with the growth of 8.3 percent in real wages." (Prague HOSPODARSKE NOVINY in Czech 26 Apr 95 p 2; Prague CTA in English 0610 GMT 29 Apr 95; Prague LIDOVE NOVINY in Czech 2 May 95 p 7)

AIRCRAFT REGISTRATION: 139 operators with 1,423 civilian aircraft were registered in the CR alone last year. Thirty-five firms operating 911 civilian aircraft were registered in the entire federation in 1989. (Prague RUDE PRAVO in Czech 27 Apr 95 p 8)

SKODA PLZEN: Skoda Plzen has introduced its own pickup truck, the Beta—constructed in Skoda's subsidiary, Elcar Ejpovice—on the market. Its body is made of laminated plastic reinforced with fiberglass. The 1,300 ccm engine and the basic components are made at the Skoda Mlada Boleslav plant. (Prague RUDE PRAVO in Czech 27 Apr 95 p 2)

NEW CABLE FACTORY: Siemens started the construction of a Kc250 million factory in Plzen-Boskov. The facility will produce cables for the BMW car company with full production starting this summer and it will employ 400 people by the year's end. (Prague MLADA FRONTA DNES in Czech 28 Apr 95 p 14)

RUSSIAN JOINT VENTURE: Skoda Plzen and the Russian firm Vologodskiy Mashinostroitelnyy Zavod (VMZ—Vologod Machine-Building Works) signed an

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agreement on 26 April establishing the Skoda-VMZ Co. joint venture to assemble and supply Tr 14 trolley buses. Skoda has a 51 percent share, VMZ has 49 percent. Thanks mainly to starting new production in Russia, Skoda Plzen expects a minimum turnover of Kc700 million this year, compared to Kc484 million in 1994. (Prague RUDE PRAVO in Czech 28 Apr 95 p 8)

BANKRUPTCY DATA: A total of 1,816 bankruptcies were announced in 1994, 1.7 times more than in 1993 (1,098). The number of bankrupcies in December 1994 exceeded 200 companies; the highest number since the bankruptcy law came into effect. (Prague CTA in English 0931 GMT 28 Apr 95)

INTEREST RATES LOWERED: The Czech Foreign Trade Bank (CSOB) will lower interest rates on mid-term and long-term koruna deposits on 2 May. Foreign currency account rates will change on the same day, the bank announced on 28 April. The interest rate on one-year term deposits of between Kc100,000 and Kc500,000, for instance, will go down from 10.50 to 9.80 percent. Foreign-currency account rates will also change. The highest interest-rate increase will be for accounts in Italian liras, going up from 2.7 to 3.5 percent on current accounts. (Prague LIDOVE NOVINY in Czech 29 Apr 95 p 7)

TAX LAW AMENDMENTS: On 28 April, the government approved amendments to tax laws. An employee with an average salary will save about Kc1,000 on taxes next year. People earning approximately Kc10,000 per month will save Kc1,500. The most profound change is an increase in the annual income bracket from Kc60,000 to Kc84,000, which is taxed the minimum 15 percent. Another modification concerns the nontaxable amount which will increase form Kc24,000 to Kc26,400 annually. (Prague MLADA FRONTA DNES in Czech 29 Apr 95 p 14)

NATIONAL BUDGET: The 1994 Czech national budget shows a total surplus of Kc10,448,830,000 (Kc9.4 billion more than in 1993). Information the government submitted for parliamentary approval and released to the public on 28 April shows revenues amounted to Kc390,507,786,000 (Kc32.5 billion or 9.1 percent more than in 1993) and expenditures totalled Kc380,058,956,000 (Kc23.1 billion or 6.5 percent more than in 1993) last year. As of 31 December last year, the state's financial assets totalled Kc213,581,624,000 and its liabilities were Kc161,692,081,000. (Prague DENNI TELEGRAF in Czech 29 Apr 95 p 2)

PRIVATIZATION BALANCE: The total coupon privatization yield amounted to Kc32.7 billion last year. After the deduction of expenditures, the National Property Fund reported a balance of Kc4.64 billion. The revenues from the completed small-scale privatization totalled Kc38.73 billion with the end balance (after expenditures) of Kc32.85 billion. (Prague DENNI TELEGRAF in Czech 29 Apr 95 p 2)

SLOVAK CLEARING ACCOUNT: The CR had a record overdraft of ECU163.4 million (more than Kc5.5 billion) in the clearing accounting system with the Slovak Republic (SR) in April. The credit margin is set at ECU130 million. According to sources close to the CNB the payment to the SR will be settled on 3 May 1995. At the request of the Slovak side, it will be paid in German marks and dollars. (Prague CTA in English 0553 GMT 29 Apr 95)

SECOND PRIVATIZATION: Two months after companies from the second wave of coupon privatization began trading on the Prague Stock Exchange (PSE), investors who expected these share prices to increase immediately have been disappointed. Share prices have stagnated or fallen moderately for almost all companies currently trading on the PSE. The official PX50 Index that began at 1000 points over a year ago has fallen well below the 500 point mark and is currently hovering around 420 points. Low trade volumes of under Kc100 million daily on the central market have been a constant source of displeasure for brokers. (Prague CTA in English 0618 GMT 29 Apr 95)

CURRENCY DEVELOPMENT: The effect of the 1994 monetary policy was favorable, according to a statement presented to the parliament by the CNB. Annual inflation was kept at 10.2 percent, and the GDP grew by 2.6 percent. Evidence of economic growth could already be seen in the first quarter of 1994, due mainly to steps taken in privatization and increased private consumption. Financial deposits grew faster than expected by the currency policy; this was caused mainly by an increased flow of foreign capital. The CNB also reported that it has begun preparations for the extended convertibility of the koruna. (Prague CTA in English 1602 GMT 29 Apr 95)

TRADE WITH GERMANY: Trade between the CR and Germany surpassed 18 billion German marks (DM) last year and is continuing to grow. Germany is presently the main trading partner for the CR. With exports valued at DM9.65 billion and imports worth DM8.494 billion, the German side shows a surplus. The CR moved from 18th to 16th place among Germany's trading partners. German direct investments in the CR also grew last year. According to the CNB, German firms invested $417.6 million here (Germany is responsible for 36.2 percent of all foreign investments since 1989). (Prague DENNI TELEGRAF in Czech 2 May 95 p 6)

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LAND REGISTRY BUDGET: The Parliamentary Agricultural Committee approved the 1994 final statement of the Czech Land Surveying and Registry Office today. The office had expected income totalling Kc36.577 million, but the actual figure was Kc56.350 million. Expenditure had been projected as approximately Kc1.2 billion, but it was about Kc6 million less. (Prague CTA in English 0623 GMT 4 May 95)

CREDIT FOR FARMERS: The Support and Guarantee Fund for Forestry and Agriculture had arranged almost Kc10 billion in loans to farmers by 25 April. As of this date, the fund had also arranged Kc3.31 billion in loan guarantees and Kc1.76 billion to pay interest on the loans. (Prague HOSPODARSKE NOVINY in Czech 4 May 95 p 2)

AGRICULTURAL PRICES: The price of agricultural products rose 18.2 percent last March in comparison with March 1993. Crop prices increased by 47.9 percent, with the highest increase (452.7 percent) in the price of potatoes. (Prague MLADA FRONTA DNES in Czech 4 May 95 p 14)

COMPANIES FINED: Of the approximately 8,600 companies that submitted documents about wage increases, 267 exceeded the permitted limit of 15.5 percent and will be fined. These companies increased wages on average by 22.5 percent. An additional 1,759 companies also exceeded the permitted limit, but the Ministry of Labor and Social Affairs has said that they will not be fined as these wage increases occurred where there were increases in accrued added value. (Prague HOSPODARSKE NOVINY in Czech 5 May 95 pp 1, 2)

FINANCE MINISTRY STATEMENT: The parliamentary budget committee recommended today that the Czech Parliament approve the Ministry of Finance's final statement for 1994. The ministry's income in 1994 totalled Kc416.436 million, or slightly over 30 percent more than expected. The budget predicted revenues of Kc320.283 million. The ministry's expenditure reached Kc14.67 billion, less than the budgeted Kc15.04 billion. The original budget approved by parliament had lower figures for both revenues and expenditure. It was later adjusted upwards because additional employees were taken on. (Prague CTA in English 0545 GMT 5 May 95)

1994 CNB RESULTS: The parliamentary Budget Committee approved today the CNB's final statement for 1994. The central bank ended last year with a surplus of Kc5.279 billion. Revenue totalled Kc25.513 billion and expenditure Kc20.244 billion. Approximately one-third of the bank's profit will go to increase reserves. The bank's net earnings last year were Kc2.5 billion down on 1993, a drop of 80 percent. CNB Director General Jiri Pospisil described the monetary situation in 1994 as satisfactory, but inflationary pressures are still apparent. He said that the koruna had been devalued by 5 percent against the German mark last year, but revalued by 8 percent against the dollar, with 1994 inflation at 10.2 percent, GDP up by 2.6 percent, and the state budget showing a surplus of Kc10.2 billion. (Prague CTA in English 0547 GMT 5 May 95; Prague CTA in English 0609 GMT 5 May 95)

INSOLVENCY DOWN: According to CNB Deputy Governor Jan Vit, the current insolvency of Czech companies amounts to Kc130 billion, or Kc5 billion less than last year. In 1994, company profits doubled on average, loans grew by 16 percent and deposits by 31 percent. He says that this proves that the financial situation among Czech companies is consolidating and getting better. (Prague MLADA FRONTA DNES in Czech 6 May 95 p 14)

FOREIGN TRADE: According to the CSU, foreign trade turnover in the period from January to March 1995 increased by 18.2 percent over the same period in 1994. Imports rose by 35.3 percent and exports by 3 percent. Sixty-three percent of total turnover came from trading with advanced market economy countries (of this, EU countries—55.9 percent and EFTA countries—2.2 percent), developing countries 5.3 percent, countries with transitional economies 31 percent (of which trade with Slovakia amounted to 14.7 percent), and countries with the state trading systems 0.7 percent. The balance of trade in the first three months in 1995 showed a deficit with all countries except for EFTA, where the balance showed a surplus of Kc3.2 billion. The deficit totalled Kc18.3 billion and was mainly the result of trading with advanced market economy countries (Kc14.9 billion) and with transitional economies countries (Kc2.6 billion). (Prague DENNI TELEGRAF in Czech 6 May 95 p 5)

APRIL UNEMPLOYMENT: The preliminary results of the April survey suggest unemployment of only 3.0-3.1 percent. The CR has the lowest unemployment rate of all the postcommunist countries, which is the result of a smooth economic transformation, Jindrich Vodicka, minister of labor and social affairs, said at a regular news conference on 5 May. (Prague DENNI TELEGRAF in Czech 6 May 95 p 2)

PRICE OF WHEAT: The State Fund for Market Regulation will accept offers from potential foreign clients who wish to buy wheat, even if the prices are lower than what the fund paid to Czech farmers last year. Most of the wheat was purchased by the fund for Kc2,700 per metric ton. Fund director Antonin Kalina said the fund is trying to increase wheat exports, supplies of which

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totalled 800,000 metric tons after last year's harvest. Customs statistics show that only 101,000 tons of wheat have been exported since the beginning of this year, although the fund has agreements to export 377,000 tons. These exports should have been completed by the end of May. The Fund has just offered another 400,000 metric tons for sale purchased at Kc3,240 per metric ton. (Prague HOSPODARSKE NOVINY in Czech 9 May 95 p 2)

EXPLOSIVES MANUFACTURER: Although Synthesia Pardubice Co. (capital stock of Kc5.713 billion, semtex manufacturer—production, research, and sales of organic chemicals, industrial fertilizers, plastics, pharmaceutical chemicals, dyes, explosives, gunpowder, etc.) no longer produces explosives for military application, their production for industrial purposes is on the increase. Synthesia sales reached Kc5.3717 billion last year (up 19.2 percent from 1993, with exports of Kc2.901 billion, up 27.6 percent). The company's gross profits were Kc620.5 million. A record amount of Kc1 062 billion was reinvested. Last year, Synthesia employed 7,234 people. (Prague LIDOVE NOVINY in Czech 10 May 95 p 14)

INDUSTRIAL SECTOR: The industrial sector recorded a 4.8 percent increase in production in March 1995 compared with the previous year, and the construction industry grew by 14 percent, indicating a revival in these sectors. Quarterly industrial production rose 5.8 percent, and construction by 11.7 percent. Small businesses of up to 50 employees contributed the most to these increases. The CSU reports that industrial production has been increasing for the past 11 months. Total output and efficiency for the whole country also improved compared with March 1994, when industrial production was close to its highest point. (Prague MLADA FRONTA DNES in Czech 10 May 95 p 14)

APRIL INFLATION: According to bank analysts, the monthly rate of inflation was 0.4 percent in April, up from 0.3 percent in March. (Prague DENNI TELEGRAF in Czech 10 May 95 p 2)

CESKA SPORITELNA: The Ceska Sporitelna (Czech Saving Bank) became a member of the European Financial Services (EUFISERV) on 1 April 1995, the first savings bank of the former Eastern Bloc countries to become a shareholder in this company. It paid 6.7 million Belgian francs ($1.9 million) for its share in the Brussels-based EUFISERV, receiving a share of just under 4 percent as well as access to the company's software and know-how. (Prague CTA in English 1406 GMT 10 May 95)

POLDI OCEL: The Czech steel producer Poldi Ocel won an Egyptian Government tender to supply constructional and carbon steel. The order involves approximately 1,100 metric tons of steel. (Prague CTA in English 0607 GMT 11 May 95)

AGREEMENT WITH KREDIETBANK: A contract on cooperation between the second largest Belgian bank, Kredietbank Brussels, and the Banka Hana Co. (BH) was concluded today. Kredietbank acquired 5 percent of BH's shares. "The merger with foreign capital means an arrangement for our bank which is a preparatory step for the entry of the CR into the EU," BH CEO Pavel Rucky said. According to the chief manager of Kredietbank, Remi Vermeiren, they chose BH for its quality loan portfolio, good business strategy and variety of services. The Belgian bank intends to increase its capital share to 30 percent by the end of 1996. Banka Hana has a stock capital of Kc750 million, expected to increase to Kc1 billion. (Prague CTA in English 0609 GMT 11 May 95)

CONSUMER PRICES: In April, the aggregate index of consumer prices increased by 1 percent in comparison with March, and by 10.2 percent in comparison with the same period last year, said Jarmila Lehnerova, a spokesperson for the CSU. She also reported that in addition to the increase in market prices, the total increase in consumer prices was influenced by higher rail fares (up 66 percent), postage costs (up 40 percent), telephone and telegraph service charges (up 20.1 percent) and radio fees (up 25 percent). All these items together contributed 0.37 percent to the overall monthly increase. (Prague CTA in English 0611 GMT 11 May 95)

MILITARY GOODS TO VENEZUELA: The Omnipol shareholding company has won an order to supply semifinished products and components for the production of small-caliber munitions in Venezuela. Apart from this commodity, the Venezuelan side has shown an interest in aviation hardware, mainly for small transport aircraft. This statement was made to RUDE PRAVO by Omnipol Director General Josef Piga, who took part in Foreign Minister Josef Zieleniec's recent visits to Venezuela, Colombia, and Mexico along with the representatives of other Czech firms. "Until now, Omnipol has not conducted regular trade in this region; it last participated in a trade fair in Venezuela in 1990," Piga said. Venezuela is undergoing a crisis in its banking system and currency. Therefore, as the Omnipol director general emphasized, the payment conditions have to be formulated precisely in the contracts concluded to prevent outstanding claims from being incurred. Possibilities for supplying military goods, especially anti-chemical and engineering materials, are, however, also being mapped out in Mexico. "At the same time, our commercial philosophy is to adhere thoroughly to the law on exporting military goods. We are negotiating only with authorized state organizations; with the Defense Ministry Military

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Industry Administrations in Mexico and Venezuela," he said. According to CTK's information, trade in military goods accounted for roughly a fifth of Omnipol's turnover last year. Its 1994 turnover amounted to almost Kc3.0 billion. This year, the company anticipates an increase in overall turnover of some Kc200 million, though with a further decline in the proportion of military goods. (Prague RUDE PRAVO in Czech 11 May 95 p 8)

NATO-COMPATIBLE TRANSCEIVERS: The new RF 13 transceivers manufactured for the army by the firm Dicom Co., Uherske Hradiste are fully compatible with the transceivers used by NATO. Their construction also satisfies the requirements on mechanical and climatic resistance according to Czech military standards, which in turn are comparable to NATO standards. According to the experts, by its technical parameters and user friendliness, RF 13 belongs to the top military transceivers in its class. The manufacturer is offering the army various accessories, providing a complex service, and all this at a reasonable price, which is approximately a third lower than foreign transceivers of the same class. RF 13 is a universal VHF FM transceiver for tactical deployment, built using the latest technology of surface assembly. At present, it is manufactured as a portable set. By the end of the year, however, the series production of small and large mobile sets and accessories based on this model is to be launched. The advantage of the R 13 is, above all, the scope of its operational possibilities and compatibility with other modern equipment. It satisfies the army's requirements for high resistance to mechanical damage and the effects of water and humidity. Nevertheless, the simplicity of operation and use of the transceiver cannot be disregarded either. The RF 13 is the basis for creating portable sets, mobile transceivers with amplifiers, and other forms of combination. The frequency range of RF 13 is 30 MHz to 87.975 MHz, the transceiver has nine programmable out of the 2,320 possible preset channels, an internal digital scrambler, selective calling for 100 network participants, and operates in simplex or half duplex modes. The transceiver can be operated by a remote-control headset or the control, and a connection by radio modems to a PC is also possible. The army also appreciates the option of deleting all stored information if needed or connecting it to an external encryption unit. The transceiver itself automatically tests the main units and indicates eventual faults. (Prague HOSPODARSKE NOVINY in Czech 11 May 95 p 11)

AIRLINES PROFITS: Czech Airlines reports a 1994 profit of Kc104 million. This is an improvement of Kc844 million from the Kc740-million loss in 1993. (Prague DENNI TELEGRAF in Czech 11 May 95 p 5)

UNEMPLOYMENT DOWN: Unemployment in the CR in April was 2.9 percent, or 0.2 percent lower than estimated by the Ministry of Labor and Social Affairs. There were 151,019 unemployed on 30 April, roughly 21,000 fewer than in April 1994. (Prague LIDOVE NOVINY in Czech 12 May 95 p 7)

GERMAN INVESTMENT: In 1994, the CR ranked sixth in the world among the recipients of direct German investments and first in central and East Europe. According to the Bonn Economics Ministry, this investment reached DM1.132 billion. (Prague LIDOVE NOVINY in Czech 13 May 95 p 7)

STOCK MARKET ALL-TIME LOW: The PX 50 index of the Prague Stock Exchange dropped to an all-time low of 410.5 on 12 May. It had reached an all-time high of 1,244.7 on 1 March 1994. (Prague LIDOVE NOVINY in Czech 13 May 95 p 7)

Hungary

AU0405074395 Economic Review —

FOREIGN CURRENCY CODE: Th[illegible]ngarian cabinet approved the draft of the new for[illegible] currency code that was submitted to its session by Minister of Finance Lajos Bokros on 20 April. The bill is a step towards the convertibility of the Hungarian currency, the forint (Ft) and will make far more liberal foreign currency transactions possible for citizens and businesses. Briefing the press after the session, the minister of finance said citizens will be able to use $800 per person a year for travel, and if Parliament passes the bill, they will be able to purchase foreign tourism services for forints, without limit. Convertible currency can be freely bought for medical treatment abroad, for study costs, and court cases. The proposal says it will no longer be compulsory to deposit foreign currency at banks—citizens could hold unlimited amounts. Having foreign bank accounts continues to be prohibited. Capital exports will become free, if the share acquired through this exceeds 25 percent of the firm or venture in question. Entrepreneurs would no longer have to request preliminary government permission for foreign loans with maturities of over one year, just for those with maturities of less than 12 months. The draft foreign currency code still bans payments in foreign currencies between domestic traders. If the code is approved by Parliament, the National Bank of Hungary (MNB) will act as the exclusive foreign currency authority, but its powers will be more limited. Bokros said differences in views between the cabinet and the social insurance authorities have not eased over the 1995 budget of the social insurance authorities. Social insurance councils consider some resolutions unacceptable. The cabinet therefore will submit the bill on the 1995

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budget of the social insurance local councils to Parliament in two versions: one will include government ideas, the other proposals by social insurance specialists. (Budapest MTI in English 1727 GMT 20 Apr 95)

STABILIZATION MEASURES: Economic growth can be sustained this year owing to the government's stabilization measures, since credits needed to finance public finance will decrease, and so sufficient resources will be available to subsidize viable enterprises. Hungary's GDP can increase by 1 or 2 percent in 1995. Exports could be the driving force behind growth, but enterprises interested in making up for imports could also play a major role, Gyorgy Suranyi, president of the MNB, told an extended meeting of the presidium of the Hungarian Chamber of Commerce and Industry today. Suranyi said exports had further increased in the first four months of this year, and today they top the still high increase of imports. Thus there is every hope that exports increase by 15 to 20 percent by the end of the year, while changes in imports do not exceed 5 percent. Due to the stabilization measures effected by the administration, the business sector could have nearly as many credits from domestic resources in 1995 as in 1994. The net sum of loans drawn by the business sector could total about Ft350 billion. Without the stabilization measures the respective sum ought not to have exceeded Ft200 billion by a large margin. Companies are expected to continue to draw considerable sums of loans from abroad, totalling $1 billion. (Budapest MTI in English 1417 GMT 3 May 95)

AGROBANK AFFAIR: The State Banking Inspectorate sent a statement to MTI shortly before midnight on 8 May, according to which, effective from May 9, 1995, Agrobank Rt. has been temporarily banned from accepting new deposits and the accounts kept at the bank have been frozen. In addition to these temporary prohibitions, its other financial services have been restricted and two acting directors have been appointed to manage the bank. The Inspectorate decided to take these steps after learning that the bank risked becoming insolvent, the statement says. The Inspectorate has called for an investigation to be launched to determine which members of the bank's management bear responsiblity for the present state of affairs. The state holds a 35-percent stake in the bank and the minister of finance, as the representative of the state, together with the president of MNB, will submit proposals to the cabinet on 11 May on how to resolve the situation at the bank. Since November 1994, the police has been investigating the heads of Agrobank who were suspected of financial manipulations, bribery, raising capital under false pretenses and other types of fraud. Agrobank President Mihaly Kovacs and Director-General Peter Kunos were taken into custody but were later released by the court. The investigation proved that some of the allegations were founded and it was completed on March 20, 1995. The bank's management had been allowed to work undisturbed since then. Kunos, the director-general, told MTI last night that the financial position of Agrobank had not worsened to the extent that it could not meet its obligations. In his view, neither the ban on accepting new deposits nor the freezing of accounts was justified. Agrobank President Mihaly Kovacs was detained on Monday under suspicion of being involved in smuggling gold and silver to the value of some Ft345 million. The daily NEPSZABADSAG reports in its 9 May morning issue that the police suspect that Kovacs plans to transfer his wealth abroad. (Budapest MTI in English 0915 GMT 09 May 95)

BUDGET DEFICIT UP: The central budget deficit in late April totalled Ft147.1 billion, with Ft405.6 billion in revenue and Ft552.7 billion in expenditure. The impact of stabilization measures is already showing in the way the budget has developed, with negative trends being contained in April, so the deficit only rose by Ft779 million in April as against the much faster growth of earlier months, Csaba Laszlo, deputy state secretary at the Finance Ministry, announced on 5 May. He said that most of the privatization revenues were expected toward the end of the year, and in April the budget had no cash from privatization. The Finance Ministry continues to forecast Ft150 billion in revenues from privatization for this year. (Budapest MTI in English 1050 GMT 05 May 95)

ECONOMIC OVERVIEW: According to preliminary figures released by the MNB, exports have grown at an increasing rate in the first quarter of this year, but imports continue to be high. Increases in exports are expected to range from 15 to 20 percent, and imports around 5 to 8 percent this year. The rate of inflation is expected to drop from the second half of this year, and consumer prices are expected to increase by less than 25 percent in December against last December. This is partly due to the fact that the monthly devaluation of the Hungarian currency in the second six months of the year will be at 1.3 percent as against 1.9 percent, MNB Chairman Gyorgy Suranyi said. By introducing the peg system of devaluation, the MNB has committed itself to preserving a stable rate of exchange. Suranyi said the MNB envisges a 1- or 2-percent increase in GDP this year. (Budapest MTI in English 1107 GMT 5 May 95)

ENERGY CONSUMPTION: Total energy consumption in Hungary was 310 PJ (petajoules) in the first three months of 1995, 3.3 percent higher than in the same period of 1994. The rise is mainly due to the lower average daily temperature in the first quarter. Total con-

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sumption of electricity was 9,887 GWh (gigawatthour) in the first three months of 1995, 3.7 percent over the same period in 1994. In the period under survey, total available energy sources were 290 PJ, 3.8 percent lower than in the first three months of the last year. Of the total available energy source, 155.5 PJ came from domestic production, and 134.5 PJ from imports. The proportion of coal and other coal products was at the same level, 14.8 percent, than in the last three months, while that of oil and gas was 68.4 percent (198.3 PJ) in the same three months of 1995 compared to 69.2 percent (208.7 PJ) in the same three months of last year. The volume of energy exports was 22 PJ in the first quarter of 1995. The country's total energy reserves were estimated at 122 PJ at the end of March, 23 percent lower than the 1994 March figure (158 PJ). (Budapest MTI in English 0933 GMT 5 May 95)

BANK IN ROMANIA: Budapest Bank is to set up Pater Bank, an affiliate headquartered in Bucharest, with equity of $5 million. Budapest Bank will hold 99.9 percent of the shares, and Romanian private individuals 0.1 percent. Pater Bank will operate in the Romanian interbank market and finance trade between the two countries. (Budapest MTI in English 1601 GMT 3 May 95)

LOAN FROM GERMANY: Talks between the governments and bankers of Baden-Wuerttemberg, Bavaria, and Hungary on the terms for a 500 million German mark (DM) loan are expected to end by the summer. The DM250 million loan to be granted by both Bavaria and Baden-Wuerttemberg at a preferential rate of interest and with a bank guarantee is primarily intended to help small and medium-sized enterprises. The Hungarian side of the talks strives to achieve not only joint ventures but other companies also sharing in the loan, and that the size of the available sum not be limited, for instance according to the size of the capital stock. (Budapest MTI in English 1733 GMT 5 May 95)

JOINT VENTURES WITH ITALY: At present there are some 1,000 Hungarian-Italian joint ventures registered in Hungary, with investments totalling $0.5 billion. There are such major firms as Ganz-Ansaldo, Generali Insurance Company, and Malev airlines, but most of them are small businesses which are present on the Hungarian market with their services or through trading. (Budapest MTI in English 0639 GMT 9 May 95)

TRADE DEFICIT: Hungary's trade deficit was $1.022 billion in the first three months of 1995 as a result of exports amounting to $2.414 billion and imports totalling 3.436 billion, Industry and Trade Ministry customs statistics show. The trade deficit stood at $767.3 million in the first three months of 1994 and $3.853 billion for last year. Exports rose by 10.2 percent over the same period of last year while imports increased by 16.2 percent. Exports were 5.6 percent up in the first quarter of 1994 over the same period of the previous year and imports grew by 10.7 percent, while the increase in exports over the whole year exceeded that of imports as it was 20.1 percent as compared to a 15.1-percent rise in imports last year. Figures for the first three months obviously do not reflect the effects of a 9-percent devaluation of the forint and the introduction of the crawling peg devaluation introduced on March 13 and the import duty surcharge introduced on March 20. The government forecast an annual 10-11 percent export increase and an unchanged level of imports for the whole of this year. Exports of materials and components rose by 27.4 percent and exports of farm and food products rose by 10.2 percent while external sales of all other commodity groups dropped. Apart from imports of farm and food products which fell by 11.6 percent, imports grew in all other product group. The three-month trade deficit in materials and components stood at $425 million as the highest increase in exports also coincided with the highest, 31.3-percent rise in imports. Trading in machinery and equipment resulted in the largest deficit of $443.5 million as a result of 11-percent increase in imports as against a slight fall in exports. Hungary's trade with OECD countries resulted in a deficit of $721 million with 10-percent growth in exports and 18.6-percent rise in imports. Within that EU countries accounted for $547.6 million of the import surplus with a 13.4-percent increase in exports and imports up 19.5 percent over the first quarter of 1994. The small former socialist countries represented the single region showing a trade surplus in the first three months, while trade with the successor countries of the ex-Soviet Union accounted for $281 million of the total deficit. (Budapest MTI in English 0601 GMT 11 May 95)

CURRENT ACCOUNT DEFICIT: In February this year, the deficit of the balance of payments on current account amounted to $229 million, compared with $359 million a month earlier, the MNB reported. In the first two months of the year, the current account deficit totalled $588 million. MNB attributes the decrease in the deficit to the narrowing gap between imports and exports. In February, exports amounted to $790 million, and imports to $1,066 million. Foreign direct investment through the banking system totalled $81 million in February. In the first two months of 1995, foreign direct investment totalled $123 million, $15 million more than in the corresponding period of 1994. At the end of February the central bank's reserves amounted to $6.9 billion, while Hungary's gross foreign debt totalled

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$29.4 billion, and its net foreign debt was $19.7 billion. (Budapest MTI in English 1033 GMT 16 May 95)

CONSUMER PRICES: Consumer prices rose by 2.6 percent in April. The year-on-year increase up to the end of April was 29.2 percent, the Central Statistical Office reported. In April last year, monthly consumer price inflation was 1.2 percent, while the 12-month inflation figure amounted to 17.3 percent. Over the 12-month period up to the end of April, household energy prices increased by 49.8 percent and food prices by 37.6 percent. In the first four months of this year, food prices rose by 14.4 percent, clothing by 6.4 percent, consumer durables by 10.8 percent, household energy by 41.5 percent, and tobacco and alcoholic beverages by 3.4 percent. (Budapest MTI in English 1333 GMT 15 May 95)

TRADE TALKS WITH ISRAEL: A free trade agreement for Hungary and Israel could double the current $60 million a year two-way trade. Talks on reaching a free trade agreement will resume in June. Bilateral trade is not balanced: Hungarian exports in 1994 totalled $26.7 million, and imports $33.2 million. In the first three months of 1995, Hungarian exports totalled $8.8 million, and imports $11.7 million. Israeli investment in Hungary is worth $180 million, and 50 Hungarian-Israeli joint ventures operate in Hungary in banking, trade, food, medical science, telecommunications, and tourism. Talks between Israel Aircraft Industries and Antenna Hungaria have reached an advanced stage on implementing a Hungarian-operated regional communication satellite project. The satellite planned to be launched is an Israeli Amos twin satellite, and this will essentially cut the costs of operation. The overall value of implementing Magyarsat will be around $160 to 180 million, with a $10 million guarantee underwritten by the Hungarian Government. Work is due to start in 1996. (Budapest MTI in English 1744 GMT 17 May 95)

EXPORTS TO CIS: The Hungarian Export Credit Insurance Rt. (MEHIB) has completed a plan for insuring exports to countries of Commonwealth of Independent States (CIS). The new type of insurance contract will be available from autumn. The insurance is expected to be covered through a combination of business and state guarantees. The new service, however, may only start after the company's Ft1.8 billion registered capital has been raised. MEHIB covered exports totalling to $52 million last year. It compensated 16 exporters, to a total value of $7 million, which exported to Brasil, Ecuador, Iran, Kuwait, and Turkey. Insurances against political risks are covered under a state guarantee. MEHIB has started to cover commercial risks on business transactions this month. It concluded a reinsurance contract with the Dutch insurance company NCM, which will cover all risks for the first six months and 85 percent of the risks in the following 6 months. MEHIB projects that this year it will insure against commercial risks to a total value of $80 million, and against political risks to a total value of $60 million. The company was founded with registered capital of Ft1 billion with a 100-percent state ownership in March 1994. The budget law stipulates that its registered capital be raised by Ft800 million this year, of which the company has already received Ft400 million. (Budapest MTI in English 0615 GMT 12 May 95)

MVM, SIEMENS CONTRACT: The Hungarian Electricity Works (MVM) Rt. is to sign a contract worth $5.7 million with the Italian subsidiary of Siemens on 18 May. Under the contract, Siemens Telecomunicazioni will supply MVM with light cable and digital microwave equipment as well as a computer system to provide automatic supervision of the company's telecommunication data transfer system. The equipment will be installed by Hungarian firms between 1995 and 1997. (Budapest MTI in English 1101 GMT 17 May 95)

HIGHWAY FINANCE PLAN: The financial plan for construction and development of the M5 motorway, to be built on concession, has yet to be completed, the original financial plan deadline of June 30 will probably be extended. The concession for upgrading the M5 "semi-motorway" stretch as far as Kecskemet and constructing the ringroad around Kecskemet and the stretch to the junction south of Kiskunfelegyhaza has been won by Hungarian Motorway International Consortium (HUMIC), headed by the French Bouygues SA and the Austrian Bau Holding. The investment costs are set at 5 billion Austrian shillings (ATS), of which 35 percent will be financed by European Bank for Resonstruction and Development, 45 percent by a bank consortium, and 10 percent each by the two contruction companies. Bau Holding and Bouygues will definitely fulfill their obligations, but forint devaluation and inflation in Hungary have increased investment costs by ATS400-500 million. The solution may either be to prepare a new financing plan or to construct the motorway only to Kecskemet, saving the costs of constructing 24 kilometers. The Hungarian opinion is that the motorway should be constructed as far as the original final point. Under the original schedule the full length of the M5 motorway must be completed by the end of 1998. (Budapest MTI in English 0915 GMT 11 May 95)

GKI 1995 FORECAST: Inflation of around 30 percent can be expected this year, the number of unemployed will increase to 550,000, and the foreign trade balance

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will struggle with a $3-billion deficit at the end of the year. This is predicted in this year's second report by the GKI Economic Research Inc. which was issued to the press in Budapest on 17 May. This year, $6 billion would have to be squeezed out of the Hungarian economy to enable the country to meet its international payment obligations; the GKI indicated this as the heaviest burden in its forecast. However, since the economy will again have a deficit in foreign trade this year, the expected $1.5 billion in capital revenue will have to be used for international payments, the same amount will have to be borrowed by the MNB on the international credit market, and the foreign currency reserves, which amounted to more than $7 billion at one time, will have to be further reduced by $1 billion. Banks and companies will also have to borrow directly some $1.5-2 billion to counterbalance the burdens. In addition to all this, stability will begin, GKI President and General Director Andras Vertes said. GNP will be the same, with industrial production increasing by 2 percent, the construction industry by 3 percent, agricultural output the same as last year, and trade, general services, and transportation significantly decreasing. These predictions show a large amount of self-confidence because the GKI invited the press to the news conference only one day before the event, which means that it cannot even predict its own activities at least one week ahead. The document entitled "Forecast on the Hungarian National Economy's Development in 1995," tends to indicate the uncertainties typical of the whole country: "The 1995 developments in the area of industrial modernization are rather uncertain." In connection with this, Vertes said that the Finance Ministry had also commissioned sections for this program from the GKI, which handed the studies to the ministry in February. However, it turned out that, with the new finance minister taking office, the modernization program also had to be revised, so the future of the plan is unclear. This may not be a major problem because, as the economic researchers concluded from the events of the past few months, monetary and fiscal measures have a very limited effect on real processes. This means that the national economy has reached a certain level of independence and those involved in the economy pay more attention to the "movements of the market than those of the government," Vertes said. "The professional level of enterprises is no lower than that of the government," Vertes noted. An 11- to 13-percent increase in exports, accelerating inflation—it will reach 29 to 30 percent by the end of the year—and, in contrast to these, a slowing down of privatization also indicate the professional challenges. According to Vertes, the Ft150-billion privatization income planned by the government cannot by any means be achieved by the end of the year, and the country can expect Ft50 to 80 billion at the most from this source. However, no further "packages" to reduce expenditures can be expected this year. To process the measures by Parliament will also take three months. In autumn, the 1996 budget bill may contain elements of the next package. According to the GKI's forecast, this year's budget will contain a Ft250-billion deficit, without the expenses related to capital repayments. "Tastes and prognoses are different," Vertes said, referring to the fact that Industry and Trade Minister Laszlo Pal recently forecast significant industrial growth. According to Vertes, industry will not be able to achieve significant growth in output unless in production for stockpiling. (Budapest MAGYAR NEMZET in Hungarian 18 May 95 pp 1, 13)

Poland

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INFLATION DATA: The Central Office of Statistics (GUS) reports that prices of consumer goods and services increased by 1.7 percent in March; however, in the entire first quarter of the year they rose by as much as 8 percent. These are preliminary results. In the first quarter of the year prices went up, on average, by 2.5 percent each month, that is, faster than each month of 1994. Between December 1993 and December 1994 prices went up by 29.5 percent. This year, in line with budgetary provisions, prices should go up by only 16.9 percent, even though the Finance Ministry mentioned approximately 20 percent in its most recent, less optimistic forecasts. Between March 1994 and March 1995 prices of consumer goods and services increased by 33.1 percent (services—by 36.5 percent, food—by 34.7 percent, non-food items—by 28.8 percent, and alcohol—by 28.3 percent). In the first ten-day period of April food prices went up by 1.9 percent in comparison with the previous such period; they were 2.9 percent higher in comparison with the first ten-day period of March. (Warsaw GAZETA WYBORCZA in Polish 19 Apr 95 p 12)

MARCH WAGES: GUS reports that the average wage of an employee of the companies' sector in March was 707.23 zlotys (Z), which was 9.9 percent more than in February. Without profit bonuses (these bonuses are paid in March), the average wage was Z673.7 (6.2 percent less than in February). The wage after taxes was Z546.49, 9.8 percent more than in February. Thus, the net wages, in real terms, increased by 8 percent in March (in March last year they went up in real terms by 12.2 percent). Late in March unemployment offices had 2.75 million unemployed in their registers, which was approximately 80,000 fewer than at the end of

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February. The unemployment rate dropped from 15.8 percent in February to 15.4 percent. In March last year this rate was 16.7 percent. GUS also reports that production in the companies' sector increased in March by 11.7 percent (in February it fell by 1.8 percent); in comparison with March 1993, it was 10.4 percent higher. In comparison with March of last year, prices in industry in March of this year were 2[illegible] percent higher. In construction production increased. In March sales by construction companies increased by 16.3 percent in comparison with February; sales were 15.6 percent higher than in March of last year. (Warsaw RZECZPOSPOLITA in Polish 20 Apr 95 pp 1, 7)

BUDGET. RECEIPTS, DEFICIT: In March the receipts of the state budget totaled Z5,925.6 million, which was nearly Z600 million more than in February, but nearly Z200 million less than in January. Over the three months of the year the budget spent Z20,357.5 million. The expenditures are growing with each month—in January they amounted to Z5,681 million, in February—Z6,149 million, and in March—Z8,527.3 million. The greatest amount of these monies (over Z3,000 million) was earmarked for servicing the domestic debt; nearly Z1,800 million was allocated for the Social Insurance Fund, and almost Z1,440 million—for the pension fund. The budget spent Z973,6 million for servicing the foreign debt (Z900 million was spent in March); the Labor Fund received over Z830 million, and Z182 million was sent to gminas (smallest administrative units). The budget's revenues after the first quarter came to Z17,416.5 million, which means that the annual plan (Z82,678.3 million) was implemented by 21 percent. Expenditures were implemented by 22.5 percent—the annual plan envisions spending Z91,146.3 million. The budget deficit after three months is Z2,941 million, which is 33.5 percent of the deficit planned for the entire year. (Warsaw RZECZPOSPOLITA in Polish 20 Apr p 7)

FOREIGN TRADE: Foreign Economic Cooperation Minister Jacek Buchacz reported that the adverse balance of the merchandise trade in 1994 decreased in comparison with 1993 by $350.1 million. Buchacz assessed that a favorable phenomena in foreign trade last year was the increase in trade volume, especially exports, maintenance of a high trade volume with EU, an increase in trade dynamics with former Soviet Union (SU) countries, and an increase in the share of the private sector in foreign trade (in export it increased from 44 percent in 1993 to 51 percent in 1994, and in imports—from 60 to 66 percent). The value of exports increased from $14.3 billion in 1993 to $17 billion last year. We exported more products from the machine and electrical engineering industry, agricultural and food products, base metals, furniture, and chemicals. Imports amounted to almost $21 billion. We purchased more products from the chemical industry, machine and electrical engineering industry, textiles, and base metals. The primary importers of our products were EU, former SU countries, developing countries, and countries associated in the Central European Free Trade Agreement (CEFTA). We imported products primarily from EU, EFTA, former SU states, and CEFTA. (Warsaw NOWA EUROPA in Polish 20 Apr 95 p 3)

INDUSTRIAL ACTIVITIES: Results of a GUS survey show that increased activity in industry and construction will not be maintained. In March the general situation of companies improved in comparison with February. Nearly 40 percent of more than 2,000 surveyed companies replied that during this time their sales increased. A decrease was noted by 15 percent (27 percent last month). The largest increase in sales was recorded in big companies. Private companies reported a lower sales increase than state-owned firms. Approximately 25 percent of the polled companies assessed the level of their activity as good, 16 percent as bad. The index, which was seven in February, increased to nine. Higher activity was noted in March by manufacturers of fabrics, chemicals, plastics and rubber, as well as by the mineral industry. An improvement was also noted by the furniture industry and the industry of medical and precision instruments. Among the companies assessing the level of their activity as worse were firms of the leather industry, the cellulose-and-paper industry, and the industry of mechanical vehicles. Companies expect that their production in April will further increase. However, forecasts for the next months are not as optimistic. State-owned companies expect a decline in foreign demand for their products, while privately-owned firms expect that this demand will rise. Companies predict that the increase in prices of ready-made goods will be further curbed (most private firms expect that these prices will rise). March forecasts regarding the situation on the labor market suggest that it will deteriorate. (Warsaw RZECZPOSPOLITA in Polish 14 Apr 95 p 13)

INDUSTRY BRANCHES RANKED: The Foundation for Education and Banking Research has published an analysis of financial results of companies in individual industry branches. Where the gross productivity in 1994 is concerned, the telecommunication sector (index late in December—29.73 percent) tops the list. A group of 15 companies producing aircraft was 97 positions lower last year than it is now. The net productivity of this group in 1993 was minus 12.64 percent, but at the end of last December it was 23.84 percent. Another such leader are companies engaged in the wholesale of

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agricultural products. This group went up from the 89th place to fourth position. Among last year's leaders are also the following groups of companies: manufacturers of pharmaceuticals, manufacturers of cement, lime, and plaster, producers of metal goods. At the end of last year, 24 groups of companies reached a cost level that was over 100 percent. Over the year this number decreased by eight groups. At the end of 1994 there were also fewer branches in the group characterized by the lowest costs, that is, below 90 percent (it decreased from 19 to 16). The branches where costs continue to be higher than revenues are, among others, mineral mining for the chemical industry, and production of radio and television equipment (106 percent); fruit, vegetables, and machines for forestry and agriculture (104 percent). In the group of companies with the lowest costs, the leader is telecommunication (71 percent). Others are such branches as the wholesale of agricultural products (82 percent), pharmaceutical products (83 percent), cement, lime, and plaster (85 percent). Adverse gross financial results were noted at the end of 1994 by 23 groups of companies (41 groups in 1993). A large majority of the 115 surveyed branches (71 percent) reached a productivity between 0 and 10 percent. At the end of 1993 this share was 47 percent. In December 1993, 62 branches incurred losses; over last year this number dropped to 39. (Warsaw RZECZPOSPOLITA in Polish 18 Apr 95 p 9)

AGRICULTURAL FOREIGN TRADE: Ryszard Smolarek, undersecretary of state in the Ministry of Agriculture, reported that we are selling less agricultural raw materials and more processed goods abroad. This is very noticeable in our trade with former Soviet Union states; our exports to EU are still dominated by raw materials. The minister presented a report on Polish foreign trade in food from 1992 to 1994, drawn up by the Section of Economic Analyses of the Agricultural Policy which is functioning within the framework of the Fund of Agricultural Aid Programs. It shows that the adverse balance in agricultural foreign trade decreased from $610 million in 1993 to $302 million last year. Exports of agricultural products in 1994 reached $2,073 million (12 percent of all exports) and increased by 26 percent compared to 1993. Agricultural imports nearly doubled between 1986 and 1994. Last year these imports increased by 5.3 percent and totaled $2,375 million (11.1 percent of all imports). (Warsaw NOWA EUROPA in Polish 14 Apr 95 p 3)

PROGRAM FOR INDUSTRY: The Ministry of Industry and Trade is preparing a plan to set up holdings or consortia in the main industry branches. Industry Minister Klemens Scierski says that the purpose of this program is to boost the competitiveness of the Polish industry. He adds that nearly all sectors of the economy need concentration of capital. The program, which is now being discussed with the ownership minister, would comprise 10 sectors, such as mining, power industry, metallurgy, arms industry, and the pharmaceutical industry. It is worth recalling that so far hard-coal mines and sugar mills have been incorporated into holding structures. Last month outgoing Deputy Minister of Industry Edward Nowak severely criticized his boss's ideas which involve centralizing the economy. The ministry has also prepared a program called International Competitiveness of the Polish Industry. It envisions implementation of pro-export and innovation-oriented policies, as well as support of possibly successful sectors. The ministry has included 19 branches among them—such as the clothing industry, toy industry, aircraft industry, as well as medical equipment, machine tool, bearings, and furniture industries. (Warsaw RZECZPOSPOLITA in Polish 20 Apr 95 p 8)

FOREIGN INVESTMENT: The State Foreign Investment Agency (PAIZ) informs that the value of foreign investment in Poland exceeded $5 billion last March. According PAIZ deputy director, in reality the investment is even higher. The PAIZ data do not comprise thousands of small companies where foreign investors contribute much less than $1 million. The United States is still the largest investor ($1.7 billion), followed by Germany, Italy, the Netherlands, and France. The most attractive is the food industry, as well as the machine and electrical engineering industry (nearly $3 billion), finances ($1 billion), and construction ($463 million). The insurance and agriculture sectors are least popular ($4 and $8 million respectively). The International Paper in Kwidzyn is the largest investor company ($275 million); it is followed by FIAT ($260 million), the Polish-American Enterprise Fund ($250 million), and the European Bank for Reconstruction and Development (EBRD) ($222 million). Among the largest investors are also the Coca-Cola company, ABB, Thomson, Procter and Gamble, and ING bank. The biggest new investors (companies which invested their money in Poland only this year) are the following: IAEG/WIBEBA ($60 million—construction), Mars Inc. ($50 million—food industry), Commerzbank ($35 million—finances), Recheio ($30 million—a chain of wholesalers), Porr Int. Chopin ($20 million—hotels), Allied Irish Bank ($18 million—finances), and Wasa ($11 million—food industry). (Warsaw GAZETA WYBORCZA in Polish 19 Apr 95 p 16)

INSURANCE COMPANIES: GUS reports that in 1994 the receipts of insurance companies totaled Z3,738.1 million and were 41.9 percent higher than in 1993. The net profit was Z255.2 million. The gross financial

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result was 24.3 percent higher than in 1993. In 1994, 34 insurance companies were active on the market (which was nine more than in the previous year), and 10 of them offered life insurance. (Warsaw NOWA EUROPA in Polish 14 Apr 95 p 14)

GAS STATIONS: There are already 3,300 privately-owned filling stations in Poland. However, their sales are lower than those of the 1,370 stations owned by the Petroleum Products Center. Last year, 700 new private stations appeared. Foreign concerns, which already have 40 filling stations all over Poland, are also becoming more noticeable. The largest chains of private stations are owned by the following companies: Poznan-based Va-Po (22 stations), Szczecin-based Solo (20), and Dexpol in Wroclaw (19 stations). (Warsaw NOWA EUROPA in Polish 19 Apr 95 p 3)

ENVIRONMENT: Deputy director of Efekt SA reported that the company had set up Ekokonsorcjum-Efekt which will deal primarily with environment protection. It will construct refuse dumps in gminas. The company will use both foreign and domestic technologies. According to the deputy director, advanced research in this area is being carried out in scientific centers, such as the Academy of Mining and Metallurgy. Efekt SA would like its refuse dumps to be harmless to the environment; it should be possible to recycle old products there. The companies building gmina refuse dumps might also be supported by local authorities. (Warsaw NOWA EUROPA in Polish 14 Apr 95 p 8)

VILLAGE SOLD: On 27 December last year the Town Council in Wegorzewo (north of Poland) decided to sell the village of Sztynort to Dietrich Traitler, an entrepreneur from Austria. The Austrian businessman is married to a Pole, and she will be the legal owner of the real estate. Experts assessed the value of the real estate at Z1.297 million. The village is to be a recreation and tourist center. All of the 38 families who live in Sztynort today have agreed to move to other locations; some of them want to live in Wegorzewo and the Austrian businessman will buy apartments in construction cooperatives for them. (Warsaw RZECZPOSPOLITA in Polish 15-17 Apr 95 p 1)

CHINESE INVESTMENT: In August the Chinese company Xuzhou General Yarn Dyed Fabric Group will open a sewing workshop in Drezdenko, Gorzow Voivodship. The Chinese are hoping to export their products to the German and French market. They are going to employ 20 to 30 persons who will make men's shirts, pajamas for children, and blouses. At the same time a Chinese company with limited liability was set up in Gorzow—Peng and Fan. The company will trade in textiles, chemicals, machines, sports equipment, and food. (Warsaw GAZETA WYBORCZA in Polish 18 Apr 95 p 16)

ERICSSON CONTRACT: The Polish operator Telbank has signed an order with Ericsson for the delivery of Mobitex equipment for a pilot installation for the city of Warsaw and the surrounding area, including the airport. The system has been in operation since 1 March and the value for this pilot network is Skr15 million. Expansion plans include a nationwide network covering 90 prcent of the Polish population within the next three years. Proposed Mobitex applications include Point of Sale (POS), dispatch applications, Automatic Vehicle Location (AVL) and wireless E-mail. "Telbank decided to go for this pilot because of the excellent relationship with Ericsson and we see this as another opportunity to implement a state-of-the-art service—together with Ericsson—for out clients in Poland," said Andrezcj Cichy, president of Telbank. (Swanley MOBILE EUROPE in English Apr 95 p 6)

GUS ECONOMIC OVERVIEW: Deputy Chairman of the GUS Roman Sawinski told a press conference in Warsaw Monday that in the first quarter of 1995 most positive economic tendencies included a rise in industrial production, a decline in the level of unemployment and relatively high foreign trade turnover. According to Sawinski, the biggest threats and negative phenomena are a surge in prices at the beginning of the year and a growing budget deficit. In the first quarter situation on the labour market was better than a year ago. The number of employed stood at over 8.6 million that is some 0.5 percent more than in the analogous period of 1994. The number of registered unemployed declined by 84,000 as compared with December of last year and was 2.754 million. According to Sawinski, a clear rise in the number of job openings was also noted as compared with the first quarter of 1994. Industrial production was higher by 13.7 percent in the first quarter of 1995 as compared with the same period of last year with the processing industry noting a 17 percent rise. A difficult situation prevailed in the sector of housing construction as the number of apartments whose construction was completed in the first three months of 1995 fell by 23.3 percent in comparison to the first quarter of 1994. Among the positive trends Sawinski named growing foreign trade turnover. Over the first two months the value of exports expressed in dollars rose by 57.4 percent while the value of imports by 60.5 percent. The foreign trade deficit exceeded $613 million. According to Sawinski, the main threat to the economy is a surge in prices at the beginning of the year. Consumer goods and services rose by 8 percent in the first quarter (in the analogous period of last year the figure was percent) with food prices rising the most. In the opinion

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of Sawinski, an "unfavorable signal" is the situation of the state budget. After the first three months, the deficit reached over Z2.9 billion which is 33.5 percent of the amount envisaged by the budget law for the entire year. (Warsaw PAP in English 1613 GMT 24 Apr 95)

FIRST QUARTER ECONOMIC DATA: GUS reports that the positive trends in the first quarter of the year were as follows: the high increase in economic activity was maintained; production in industry and construction was higher than a year ago; the financial situation of private and state-owned companies improved, and employment increased. Among the negative trends were, first of all, high inflation and the worsening state budget deficit. In the period in question, nominal revenues (wage work and pensions) were approximately 11 percent higher than in the first quarter of last year; in real terms they were 3 percent higher. The average monthly price increase in the first quarter was higher than in all of last year and exceeded budgetary projections. The high increase in production was maintained in the first quarter—it was 13.7 percent higher than a year ago. A great contribution was made by the processing industry (its sales increased by 17 percent); manufacturers of investment goods noted a 24-percent increase, manufacturers of supply goods—a 20-percent increase, and producers of consumer goods—a 12-percent increase. Industrial sales in March were 10.4 percent bigger than a year ago. Companies predict, however, that this trend will weaken over the next few months due to smaller domestic and foreign demand, which is proven by an increase in reserves. High dynamics in exports and imports were noted in January and February. Exports, calculated in current prices, increased by 57.4 percent and imports—by 60.5 percent. Exports reached Z7.683 billion and imports—Z9.118 billion. Imports increased faster than exports, which deepened our adverse balance by Z635 million. The turnover of private companies increased faster than the total turnover. Their share amounted to 54.4 percent in exports and 68.2 percent in imports. Private companies export the most to Russia—their share is 77 percent, to Italy (73 percent), and to Germany (63 percent). They import the most from Italy (86 percent), the Netherlands (82 percent), and Germany (72 percent). The state budget's revenues in the first quarter were 35.3 percent higher than a year ago, and expenditures—37.5 percent higher. The revenues constituted 21.1 percent of the sum envisioned in the budget law, expenditures—22.3 percent. The budget deficit after three months reached Z2.941 billion, which was 33.5 percent of the sum envisioned in the budget. (Warsaw RZECZPOSPOLITA in Polish 25 Apr 95 p 8)

UNEMPLOYMENT DOWN: In March of this year there were nearly 197,000 fewer unemployed people on the registers of unemployment offices than a year ago. Unemployment dropped in March, in comparison with February, in 48 voivodships. This results from decreasing group layoffs and a greater influx of employment offers, as well as from the fact that an increasing number of people are being crossed off the unemployment registers. In late March, the number of unemployed people in unemployment offices was 2,753,800, which was 78,400 fewer than in February. Unemployment in March constituted 15.4 percent of the civilian popular capable of working. Unemployment offices registered 148,800 new unemployed people, which was 9.8 percent more than in February. As many as 59.7 percent of people in this group had been registered in the offices before. The total number of unemployed people decreased as a result of crossing 227,200 people off the unemployment registers, which was 8 percent of all unemployed people. (Warsaw RZECZPOSPOLITA in Polish 22-23 Apr 95 p 5)

PRIVATE SECTOR: Over the last year more than 125,000 new economic entities were registered; they included companies, foundations, associations, and firms run by natural persons. Their number totaled more than 2.1 million at the end of last year (over 2 million of them were privately owned). Entities whose number grew the fastest last year were associations and commercial code companies; the number of state- and town-owned companies decreased. Out of over 2.12 million economic entities in 1994, 4,955 were state-owned firms, 564 were owned by towns, 95,017 were commercial code companies, 3,471 were foundations, and over 1.7 million firms were run by natural persons. GUS data suggest that the private sector kept developing last year—over 127,000 new entities were set up. The state-owned sector decreased by more than 2,200 companies. (Warsaw RZECZPOSPOLITA in Polish 27 Apr 95 p 9)

FUTURE OF BANKS: Directors of Poland's largest banks believe that banks should first be privatized and only then can mergers follow. The Finance Ministry has a different view: Banks should first be combined into holding companies, and then they should be privatized. At a meeting, in which deputies of the Sejm Budget Committee were also participating, bank directors argued that the process of consolidation in banking is already under way—for example, bigger banks are buying smaller banking establishments which are having financial problems. They also pointed out that no consolidation models should be imposed—the market itself will force banks to merge. A representative of the Finance Ministry argued, however, that since the capital of the largest Polish banks is only in the $3-$7 billion range, they need to merge because the banks that will appear on the Polish market in 1997 will have a lot more

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money at their disposal. (Warsaw GAZETA WYBORCZA in Polish 26 Apr 95 p 18)

INSURANCE LAW: After working on the insurance law for a couple of years, the Sejm has finally amended it. So far control over insurance firms has been exercised by the Finance Ministry, which was also the owner or co-owner of many such companies. As a result, ministry officials held various offices in those firms, which was criticized by private insurance firms. Now insurance companies are to be controlled by the State Office of Insurance Supervision, which will be independent of the ministry and whose employees will not be allowed to hold posts in private insurance firms. The office is to be financed directly by insurance firms, which will appropriate 0.3 percent of all their insurance premiums. The amended law gives considerable powers to the supervision office. It can, for example, ask the finance minister to liquidate a company if it violates the law, does not pay off people's claims, or if it pays them with a delay. Aside from this office, interests of the customers of insurance companies will be defended by a special spokesperson. (Warsaw GAZETA WYBORCZA in Polish 22-23 Apr 95 p 20)

TRADE WITH EAST: The year 1994 represented a breakthrough in Poland's economic relations with its Eastern neighbors: trade volume increased by 25.7 percent (to $3.7 billion), and our exports increased by 41 percent. Foreign Economic Cooperation Minister stresses importance of trade with the East. A program adopted by the Economic Committee of the Council of Ministers (KERM) is to make it easier for Polish exporters to gain access to Eastern markets. Last year saw the first signs of improvement in our trade with countries of the former Soviet Union—our exports to those countries increased much faster than our exports to other states. Despite that, trade with the East still constitutes only 9.6 percent of Poland's foreign trade (Russia—6.2 percent, Ukraine—1.2 percent, Belarus—0.8 percent, and the Baltic states—0.7 percent). Another phenomenon that was noticeable last year was a clear division into two separate areas in our trade with the East: the Baltic states and the CIS. Our balance sheet in trade with the Baltic states was active last year, and the fact that economic growth in those countries is quite considerable creates even better prospects for our exports in the future. In addition, these countries, unlike CIS states, are trying to liberalize their trade with Poland. Our trade with the East, however, is still dominated by uncertainty. Even though Poland's deficit in trade with this region was reduced by $170 million, it is still very high—$530 million. Ministry officials draw attention to the fact that this deficit will not be decreased very soon because it is structural in nature—we are buying a lot of raw materials such as oil and natural gas for $1 billion a year in those countries, and this sum will grow as our economy develops. A weak spot in Poland's trade with the East is also the fact that big Polish companies have withdrawn from the Eastern market because they were unable to get their money for taking part in large-scale contracts. It is emphasized in the KERM document that Polish companies can penetrate the Eastern food market. To seize this opportunity, KERM intends to help Polish exporters by, for example, providing loan guarantees from the Corporation for Export Credit Insurance fund, promoting Polish exports, and encouraging direct cooperation with rich Russian regions (Kaliningrad, Western Siberia, and the Ural). (Warsaw RZECZPOSPOLITA in Polish 25 Apr 95 p 9)

TRADE WITH HUNGARY: Polish-Hungarian trade in 1994 increased to $404.2 million (according to the Hungarians, $415.3 million). This is the second year since 1989 in which we have increased the trade volume with this country—the first was 1993, when we increased it by 7 percent. This shows a positive trend. We had an adverse trade balance with Hungary last year (exports $183.6 million and imports $220.6 million), even though in both areas activity increased (by 5.7 and 33.1 percent respectively). The structure of trade is very satisfying to us: In exports the share of processed goods increased, and in imports there were more raw materials. The implementation of the terms of CEFTA is beginning to exert increasing influence on our trade with Hungary. Very important was the introduction of the "additional protocol" in this agreement in July of last year (reduction of tariffs included industrial products, as well as extension of licenses to agricultural products). In the immediate future more limitations are to be lifted, especially in bilateral trade in agricultural and industrial goods (as a result of the Poznan meeting of prime ministers of CEFTA-states in November 1994). The possibility of modifying the CEFTA accord, as well as the possibility of extending its range, cannot be ruled out either. A lot is being said about the need to coordinate activities in such areas as exchange of services and movement of capital. (Warsaw RZECZPOSPOLITA in Polish 24 Apr 95 p 8)

OLEKSY VISIT TO HUNGARY: Andrzej Byrt, deputy minister of foreign economic cooperation, denied that during Prime Minister Oleksy's visit to Budapest, Hungarian Government representatives proposed admitting Polish food at lower tariffs to the Hungarian market, in return for reducing tariffs on automobiles manufactured in their country. Byrt also said that probably in late June, CEFTA states would manage to specify principles of food trade until 1998. In line with the Polish proposal, tariffs on food would be reduced by 50 per-

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cent as of 1996, and they would drop to null in 1998. (Warsaw RZECZPOSPOLITA in Polish 26 Apr 95 p 8)

TELEPHONE NETWORK: Director of Kapsch-Telekom Polska Ltd. has reported that the auction commission of Polish State Railroads had chosen the Austrian company Kapsch to set up its telephone network. Talks are now under way on details of the contract; under its terms, 50 internal systems of telephone exchanges will be combined into one system comprising approximately 30,000 subscribers. (Warsaw NOWA EUROPA in Polish 27 Apr 95 p 3)

FINNISH FIRM IN JAWORZNO: The Finnish company of IVO (Imatran Voima Oy) International will install a system of nitric oxide emission reducers in the Jaworzno III power plant. The plant's emissions will thus decrease by approximately 45 percent. The project is being financed with the power plant's own funds. (Warsaw NOWA EUROPA in Polish 27 Apr 95 p 3)

TRADE CENTER IN GDYNIA: Polinvest, a company 95-percent owned by the Norwegian company Ole K. Karsen, will open a large trading center in Gdynia-Orlowo. (Warsaw GAZETA WYBORCZA in Polish 21 Apr 95 p 20)

MARCH ECONOMIC ACTIVITY: In March the seasonal drop in economic activity was curbed. A slight increase in economic activity is to be expected in the next few months. It will depend on both domestic and foreign demand. A considerable increase in production growth rate was noted, including production for export. This production growth rate increase is not accompanied by a high rate of demand growth, both domestic and foreign. The rate of inflow of new export orders is increasing, but generally, for five months now the growth rate of new export orders inflow has been decreasing. As a result of the production growth and no evident increase in demand, companies have begun to increase their reserves of ready-made goods. The rate of price increase in February and March considerably slowed down. In 1994 most companies were optimistic about the prospects of development of the Polish economy. In January and February this optimism decreased radically. In March it improved, even though there are still more pessimists. As far as the ranking of industry branches is concerned, the top position is occupied by the glass industry—it exports many of its products and invests considerable sums of money in new machines and equipment. Second is the iron metallurgy, and third—the paper industry, which has been the biggest exporter for two months now. At the bottom of the list there are such branches as the fodder-producing industry, building materials industry, and the food industry. The two latter industry branches are only just beginning the period of high activity, which will end in October. (Warsaw RZECZPOSPOLITA in Polish 11 Apr 95 p 9)

COMPANIES' PERFORMANCE: Preliminary data provided by GUS suggest that over the first two months of the year the receipts of companies came to Z56.1 billion (Z38.8 billion in January and February last year). The financial situation of companies improved. Their gross financial result was Z3.1 billion (last year Z1.8 billion). The net financial result was also better—Z1.4 billion (Z0.4 billion last year). The net financial result of state-owned companies was three times as big as last year. This result improved only slightly in the private sector. The earning capacity of companies improved as well. Its gross index increased from 4.7 percent in January and February last year to 5.5 percent in the same period this year; the net index increased from 1.2 to 2.5 percent. (Warsaw NOWA EUROPA in Polish 12 Apr 95 p 3)

BANKING DATA IN 1994: GUS reports that in 1994 all Polish banks made an overall gross profit of Z933 million, but their net loss was Z149 million (compared with the loss of Z343 million in 1993). According to GUS, banks started to pursue more responsible loan policies. The worst results were achieved by cooperative banks and Bank Gospodarki Zywnosciowej (net loss of Z1,049 million). Private banks where most shares are owned by Polish capital had a gross loss of Z175 million and a net loss of Z398.7 million. All the other groups of banks—state as well as private banks where most shares are owned by foreign capital—made profits. (Warsaw RZECZPOSPOLITA in Polish 11 Apr p 17)

INFLATION DOWN: Jerzy Chabros, Finance Ministry's expert on prices, estimates that prices of consumer goods and services increased between 1.6 and 1.8 percent in March. In February consumer inflation was 2.1 percent, and in January—4.1 percent. The ministry expects that in April inflation will be maintained at the March level. (Warsaw RZECZPOSPOLITA in Polish 7 Apr 95 p 1)

INFLATION PREDICTIONS: Twenty major Polish banks predict that inflation at the end of the year will be 24.47 percent. Last month they estimated that the level would reach 23.86 percent. The December-to-December inflation at the end of 1996 is to be 18 percent (the estimate last month—17.42 percent). Opinions expressed by individual banks differ quite a lot. The most optimistic banks are BKO BP and Creditanstalt, which expect that the December-to-December inflation will reach 22 percent at the end of the year. At the other end is Polski Bank Rozwoju, which estimates that it will reach 31.5 percent. (Warsaw RZECZPOSPOLITA in Polish 11 Apr 95 p 9)

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LOAN GUARANTEES: The government will be able to provide guarantees for loans which are to support privatization processes. The KERM issued a positive opinion on the draft ordinance by the finance minister; the draft specifies the conditions of giving such guarantees if the financing source is the state budget. According to Finance Ministry official Elzbieta Chojna-Duch, the ordinance will have to be issued because it is envisioned in the 1995 Budget Law. The official believes that the new regulation will ensure better access to loans in foreign banks and in international financial institutions. The Guarantees of the State Treasury may comprise up to 60 percent of the value of a loan which finances the development of the infrastructure, export production, environment protection, investment projects in regions threatened by high unemployment, and the government's privatization programs, which are quite new. (Warsaw RZECZPOSPOLITA in Polish 11 Apr 95 p 9)

HEAT ENERGY PRICES: The government issued an ordinance which prohibits the raising of contracted prices of heat energy. The ban is to be in effect between 1 May and 31 December 1995 and concerns all companies whose activity is related to the production or transmission of heat energy. The prohibition does not mean, however, that prices will be frozen; a company that sells heat energy will be free to raise its price if its cost of production increases for reasons independent of the company. Then the company will have to submit a calculation that would justify such a step. (Warsaw RZECZPOSPOLITA in Polish 12 Apr 95 p 7)

REGIONAL INITIATIVES: Andrzej Arendarski, chairman of the National Chamber of Commerce, stated that the chamber would support all regional initiatives because they are of paramount importance to the entire economy. An example of such an initiative is the idea of concluding a regional contract for the Katowice Voivodship. As many as 88 local territorial self-governments, 39 companies, 30 banks and insurance companies, 28 organizations of economic self-government, and 32 representatives of trade unions stated that they would like to be part of the contract. The main task of this contract is coordinating the activities of all the organizations and institutions which will take part in the preparation and implementation of the Program of the Regional Economic Policy of the Upper Silesia. (Warsaw TRYBUNA in Polish 11 Apr 95 p 4)

BRICK COMPANY: Keramzyt, a company in Gniew which manufactures material needed in the production of bricks, is to be bought by a Norwegian firm. The Norwegians will buy the company's property and the company itself will be liquidated. The transaction is to be finalized by 20 June. The company is worth between Z2 million and 4.5 million. (Warsaw GAZETA WYBORCZA in Polish 13 Apr 95 p 14)

EXCHANGE RATE: President of the National Bank of Poland (NBP) Hanna Gronkiewicz-Waltz said after her return from London on Wednesday that the exchange rate of the zloty will be freed within several weeks. In her opinion, exporters should not fear the flotation of the zloty as the finance minister has instruments at his disposal to compensate for possible losses. Speaking about the possible lowering of interest rates, Gronkiewicz-Waltz said "we must wait for final data concerning the April inflation rate." The NBP president expressed her belief that the yearly inflation rate may stand below 20 percent and did not rule out that in case April price rises prove to be modest, the NBP may lower interest rates. Gronkiewicz-Waltz presented to reporters the 1994 prize for the best governor of the Central Bank of central and east European countries, awarded to her by the British financial monthly THE CENTRAL EUROPEAN. The prize was presented to her during the annual meeting of the EBRD in London. (Warsaw PAP in English 1856 GMT 12 Apr 95)

GDP FORECAST: The Central Office of Planning (CUP) announced that the GDP is to go up by 6 percent in 1995, 1 percent above year-start assumptions; industrial production is to go up by 10 percent and construction and assembly production 7 to 9 percent. The correction of the forecast was based on economic results in the first three months of 1995, CUP Head Miroslaw Pietrewicz said during a press conference on Thursday. In his opinion, the first quarter of the year was "favorable," and one could observe at that period the continuation of positive trends started several years ago. Industrial production went up by 13.7 percent during the first quarter, construction and assembly production was up by 13.7 percent. Pietrewicz stressed that following a bad year for agriculture in 1994, this year should see a considerable improvement in this sector of the economy. CUP expects that compared to 1994, global agricultural production will go up by 6 percent this year. CUP forecast is also optimistic in regard to Poland's foreign trade. According to experts at CUP, exports should rise by 23 percent and imports by 20 percent this year. However, CUP said that the trade deficit will be bigger by the end of the year than that in 1994. Pietrewicz said this forecast has been prepared without taking into account the situation of exporters after a possible flotation of the zloty planned to be introduced in mid-May. "We do not think that the strengthening of the zloty will be beneficial from the country's point of view," Pietrewicz said. As for unemployment, CUP forecasts 2,750,000 people to be registered as unemployed at the year's end, some 90 thousand less

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than at the end of 1994. According to Pietrewicz, the biggest problems will be linked to inflation and housing. The first quarter showed that it will be impossible to maintain the rate of inflation assumed for 1995. The number of finished apartments will drop, compared to 1994, by some 10 to 15 percent. If prices continue to grow to the end of the year at the rate as planned in the budget law, then the mid-year inflation rate will reach at least 26 percent and year-on-year inflation would be at 19 percent, Pietrewicz said. However, if the high rate of price growth recorded at the start of the year continues, then inflation will be even higher. CUP expects that the year-on-year inflation may reach 22 percent. The budget law assumed a 16.8 inflation rate in 1995. (Warsaw PAP in English 1536 GMT 27 Apr 95)

APRIL FOOD PRICES: GUS reports that in the second ten-day period of April food prices went up by 0.9 percent. In comparison with the same period in March, the prices were 3.3 percent higher. (Warsaw RZECZPOSPOLITA in Polish 28 Apr 95 pp 1, 7)

INVESTMENT IN CZESTOCHOWA: On 5 May, the international concern of BOC GAZY will begin construction of an oxygen generating plant in Czestochowa. It will be the largest foreign industrial investment in the Czestochowa region—its cost is estimated at $30 million. In line with the contract signed with the Czestochowa Steel Works, BOC GAZY is to built an installation for air separation. The oxygen, nitrogen, and argon that will be obtained in this manner will be used in metallurgical processes. Last year, BOC GAZY signed a contract to built an oxygen generating plant in Labedy Steel Works. In all, the concern is to spend $60 million in Poland by the end of the century. (Warsaw GAZETA WYBORCZA in Polish 2-3 May 95 p 14)

LEGAL PUBLISHING: Wolters Kluwer, a Dutch company which is the largest concern of legal publishers in Europe, bought 40 percent of the shares of two privately-owned legal publishing houses: Lex in Gdansk and ABC in Warsaw. (Warsaw RZECZPOSPOLITA in Polish 28 Apr 95 p 7)

GERMAN INSURANCE FIRM: The Warsaw-based ATU Towarzystwo Ubezpieczen Turystycznych SA (Tourist Insurance Company) and Gerling-Konzern Allgemeine Versicherungs AG (GKA), a Koln-based German insurance company, have concluded an agreement on the subscription of new shares which ATU has issued by increasing its capital. GKA will have new shares and will be entitled to vote at shareholders' meetings (its share of votes will be 49 percent of the total number of votes at a shareholders' meeting). The Finance Ministry has already granted its consent. The two companies also agreed on partnership-like cooperation and transfer of know-how. (Warsaw NOWA EUROPA in Polish 28 Apr 95 p 9)

FOREIGN INSURANCE: Zurich Insurance Group, a Swiss insurance company, intends to open its office in Warsaw soon. It is not known whether the Swiss will be involved in insurance activity in Poland because they have not received a license from the Polish Finance Ministry. However, the Swiss may do what other such companies have done: they can buy into Polish insurance firms. Alte Leipziger, a big German insurance firm, also wants to enter the Polish market. It intends to set up a life insurance company together with Hestia Insurance (a Polish firm), in which it has bought 27 percent of the shares. (Warsaw GAZETA WYBORCZA in Polish 4 May 95 p 29)

ZLOTY FLOTATION: A partial floatation of the zloty, agreed upon during the prime minister's meeting with the president of NBP, the finance minister and the minister for foreign economic relations, will be most likely introduced by mid-May, Central Bank Vice-President Krzysztof Barburski told the Sejm Economic Policy, Budget and Finances Committee on 9 May. Barburski made this statement when presenting the principles of the new exchange rate policy. The plan to introduce a flexible zloty exchange rate within the so-called margins will help curb the growth rate in hard currency reserves which fuel inflation. Under the new exchange rate system, it will retain the so-called crawling devaluation of the zloty, by 1.2 percent monthly. The NBP is to monitor the market and intervene when necessary on the basis of such indexes as the situation of the balance of payments or inflationary trends. The new system is to precede the lowering of the central bank's interest rates. The rate should be free at the interbank foreign currency market, but no margins have been set yet. It is unofficially said that 8 percent margins will replace the currently binding 2 percent bands. Under the planned system, commercial banks would be free to set their own rates and allowed to trade within the agreed margins. Speaking about economic consequences of floating the zloty, the deputies pointed to its negative impact on exporting companies. They noted, however, that in the long run benefits of the new system will be more tangible. The deputies want the prime minister to ask the government and not the central band to set the ways of introducing the new exchange rate system. (Warsaw PAP in English 1455 GMT 9 May 95)

WORLD BANK ASSISTANCE: The Rotterdam Maritime Group, a team of specialists commissioned by the World Bank, has begun work on the blueprints of new development projects for the ports of Gdansk and Gdynia. The projects will involve adaptation of sites in direct

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proximity to Gdynia's city center and development of the Northern Port in Gdansk. The World Bank confirms that to date it has invested $150 million in Poland's major maritime ports—among other things, in the construction of a new bridge on the River Martwa Wisla in Gdansk and the completion of the Kwiatkowski Route in Gdynia. The blueprints for these projects are being prepared under the Rotterdam Maritime Group's direction. "In Gdynia, we will concentrate on sites located between the port and the city center, among others, the area in the vicinity of the World Trade Center," Christian van Krimpen, head of the Rotterdam Maritime Group, says. A so-called distripark is planned there for the handling of special-value cargoes. To build the distripark, it will be necessary to demolish and remove certain old structures in the port's eastern sector along the Jan z Kolna Street, especially those located on the railroad site which are in direct proximity to the city center. "A distripark is a complex of speed-processing plants handling cargoes which pass through the port," van Krimpen explains. "It is also a distribution center which can offer certain services for, say, the container terminal. In Rotterdam, which is the world's largest port, we have four big distriparks." The Gdynia distripark will be designed to fulfill particularly interesting functions: Among other things, it will handle transit cargoes as well as servicing the international commercial exchange with Belarus, Ukraine, and the CIS countries. It is possible to imagine that a large number of enterprises will be interested in setting up as near the port as possible, where they can monitor the progress of the cargoes entrusted to their care. It is precisely the handling of highly processed cargoes which presents the biggest opportunity for Gdynia Port which, in contrast to Gdansk Port, has no potential for developing in the inland direction. Such cargoes include, among others, general cargo (last year, the volume of general cargo handled in Gdynia Port increased by 12 percent). According to materials received from the administration of Maritime Freight Port Gdynia SA, there are two sites on which the distripark will probably be constructed: The first is a 12-hectare area in the port's western sector (near the container terminal and under the Kwiatkowski Route overpass), and the second is a 15-hectare area beyond the row of warehouses on the site used by the railroad company. The second blueprint being developed by the Rotterdam Maritime Group is for a roll-on-roll-off terminal which is to be built next to the existing container terminal and the ferry terminal. "We want to complete both blueprints within about 6-8 months," van Krimpen says. "Once they are ready, we will try to promote them so as to encourage a number of finance groups to take an interest in them. This is because the World Bank's role will be restricted to the preparation of the infrastructure and possibly the construction of certain essential buildings." In Gdansk, the most pressing task of the moment is to provide a transportation thoroughfare for Northern Port, that is, to build a new bridge on the Martwa Wisla and complete the extension of the Armii Krajowej Street so that it joins up with the ring road. The possibility of building a tunnel under the New Port canal is also being considered. Work on these projects is in progress thanks to a recent decision by the Netherlands Government to finance the Rotterdam Maritime Group's operations. (Gdansk DZIENNIK BALTYCKI in Polish 4 May 95 p 2)

EUROPEAN FREEWAY: Representatives of the Baltic Cities Union Transportation Commission assembled in Gdansk to discuss the problems of improving the efficiency of the transportation network in the Baltic Sea region. The fight over the freeways is beginning to assume a political dimension. The discussion centered mainly on the feasibility of building and running new freeways in a meridian alignment. This project is promoted by the Scandinavians, for whom the shortest and most convenient route to the south of Europe and the Middle East runs across our territory. The Swedes intend to coordinate their own expressway and freeway system so that it is compatible with the proposed North-South Trans-European Freeway, and to incorporate regular ferry connections—among others, the Gdynia-Karlskrona sea link—into the network. Despite the danger that freight from the East will be taken over by the North Sea ports, the Ministry of Transportation and Maritime Economy gives so-called priority status to all approved freeway construction projects, including those along the parallel-aligned grid, which will ultimately carry freight from Russia to Rotterdam or Hamburg instead to the Tri-City: Gdansk, Gdynia, and Sopot. "This kind of priority is no priority at all," Gdansk Deputy Mayor Henryk Wozniak objected during the conference. Because of the extensive program of events designed to commemorate its approaching 1000th anniversary, Gdansk is very much interested in seeing the North-South Trans-European Freeway built as soon as possible, as are also Sopot and Gdynia. (Gdansk DZIENNIK BALTYCKI in Polish 4 May 95 p 3)

OIL, GAS: Five "pools" containing deposits of petroleum oil and natural gas have been found in the Polish economic zone of the Baltic shelf. So far, three fields have been prospected in detail. The investigation indicates that industrial-scale extraction will be cost-effective. It is estimated that petroleum oil deposits of about 10-15 million metric tons are to be found beneath the Baltic floor in the Polish economic zone. For the past two weeks the Gdansk-based Petrobaltic company has been preparing to launch regular extraction of petroleum oil from deposits located in the Polish eco-

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nomic zone beneath the floor of the Baltic Sea. However, before industrial-scale extraction of rock oil can begin, divers must install two extraction drill bits at the bottom of the producing wells, which are sunk to the depth of 80 meters. "We hired the diving equipment in Italy, and we are now bringing it to Gdansk in several successive consignments. Altogether, it will be delivered here in five trucks, of which three have already arrived at the company's premises in Gdansk. This shows how much equipment there is," said Jerzy Bokiniec, Petrobaltic deputy director for technology. To date, few companies in Poland have worked with diving equipment of such advanced design. The complete set includes a modern diving bell which will allow divers to work at a depth of up to 80 meters for as much as a couple of weeks or so without coming up to the surface. The fundamental difference between the modern technology of deep-water diving operations and the techniques in use until recently is the composition of the breathing medium. The divers will be breathing a helium-oxygen mixture, which will enable them to remain underwater for extended lengths of time. The technology whereby their body tissues become saturated with the breathing mixture is called saturation. The main task entrusted to the divers will be the installation of two extraction drill bits at the end of the boring rods. (Gdansk GLOS WYBRZEZA in Polish 4 May 95 p 1)

COMMENTS ON INFLATION: At a news conference on 12 May, Finance Minister Grzegorz Kolodko said that the decision to partially float the zloty was a step in the right direction which will decrease the inflation pressure. According to him, inflation in the first quarter of the year was higher than expected because the zloty devaluation rate was too low and the central bank did not control the situation; he also listed the liberation of apartment rent prices and rapid food increases (which he said were the result of a bad government policy) as factors which had fueled inflation. He announced that the government was planning to return to the so-called small package of anti-inflation measures. According to Kolodko, there is still a chance that inflation will not exceed 20 percent by year's end if the NBP lowers its interest rates quickly, and if "there is peace and order in the country." NBP President Hanna Gronkiewicz-Waltz called a news conference a day earlier. According to her, when the government speaks about the influence that NBP policies have on inflation, it is trying to conceal the fact that it cannot curb food price increases. (Warsaw GAZETA WYBORCZA in Polish 13-14 May p 24) GUS reports that the prices of consumer goods and services went up by 2.3 percent in April. The higher than expected increase in prices in April is first of all a consequence of rapid food price increases—these prices increased by 3.1 percent in April. In comparison with last December, prices of consumer goods and services were 10.5 percent higher. In April consumer prices were 32.4 percent higher that in April 1994; the annual inflation rate in March was 33.1 percent. The Finance Ministry's forecasts for the next few months are rather optimistic. In May, inflation should range between 1.4 and 1.8 percent. According to the director of the Information and Prognosis Department at the Central Planning Administration, inflation in May will reach 1.5 to 1.7 percent; he believes that it is going to be difficult to reduce inflation to less than 22 percent (from December to December) and to 29 percent (inflation over the entire year). According to Finance Ministry officials, factors that fuel inflation will be the fast increase in foreign exchange reserves as well as wage pressure in large state-owned companies. A favorable factor will be the supply of food, which is to increase by 10 to 15 percent in the second half of the year. (Warsaw RZECZPOSPOLITA in Polish 16 May p 7)

PRIVATIZATION STATISTICS: The first three months of the year proved to be equally poor for capital privatization as the first three months of 1994. Even though the number of direct transformation processes under Article 37 of the privatization law almost doubled, there were far fewer completed privatization processes of this type. Bankruptcy liquidations, that is, forced by the poor economic condition of companies, were only half as numerous as last year. The number of completed privatization processes of this kind was similar to last year's. According to the Privatization Ministry, privatization transformations have already been implemented in 3,131 state-owned companies. From the time privatization started until the end of the first quarter of the year, 781 companies were transformed into single-proprietor Treasury-owned joint stock companies. 1,081 companies were selected for direct privatization; also, the minister did not object to plans of liquidating 1,269 companies due to their poor economic condition. The Agency for Farm Property took over 1,600 companies, and 327 companies were taken over by municipal authorities. In 829 companies bankruptcy proceedings were started, and in 423 others, repair programs are being implemented. The results of privatization include 928 companies privatized under Article 37 of the privatization law, and 312 liquidated firms. By the end of the first quarter, 138 single-proprietor Treasury-owned joint stock companies were sold, which was 18 percent in comparison to the number of such companies that were set up. In the first quarter of the year, only three Treasury-owned companies were sold (a year ago—two, and in the first quarter of 1993—11); 68 were commercialized (a year ago—20 and two years ago—12). Under Article 37, privatization of 40 companies was started, 31 such

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processes were completed (first quarter of 1994—22 started and 51 completed; two years ago—33 started and 51 completed). Bankruptcy liquidation was started in 21 companies and completed in 19 (first quarter of 1994, 43 liquidation processes were started and 17 were completed; two years ago 51 liquidation processes were started and 20 were completed). (Warsaw RZECZPOSPOLITA in Polish 18 May p 7)

Romania

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FOREIGN DEBT: In late January this year, Romania's foreign debt amounted to $4.550 billion, thus rising by $133 million against December 1994. Romania's major creditors are the international financial institutions—IMF, EU, International Bank for Reconstruction and Development (IBRD), European Bank for Reconstruction and Development (EBRD)—as they made Romania a loan of $2.749 billion, a sum which stands for 60.41 percent of the country's total foreign debt. Of all these financial institutions, IMF carries the biggest weight, as its loan rose up to $1.308 billion. As far as bilateral relationships are concerned, Romania's foreign debt has reached $1.801 billion, its major creditor being the United States with a $345-million debt, followed by France with a $316-million debt. The public debt, however, represents most of Romania's foreign debt (65,56 percent), followed by the state-guaranteed public debt and the nonguaranteed commercial debt. As for the short-term debt, in January this year, Romania had $537.8 million to collect and $929.9 million to pay. (Bucharest ROMPRES in English 1049 GMT 26 Apr 95)

G-24 FINANCIAL AID: "Funds earmarked to Romania over 1990-1994 by the G-24 member states, from both bilateral and multilateral assistance sources as well as through international financial bodies and institutions rose over $8 billion, of which some $1.5 billion came as nonrefundable assistance," reads the report on "The Economic Assistance Granted to Romania by the Developed Countries' Group—G-24," issued by the government's Department for European Integration. The volume of assistance granted by the G-24 over the abovementioned period stood for approximately 66 percent of the total assistance Romania has received, while the remaining 34 percent was given by international financial institutions—the EBRD, the World Bank, and the IMF. Should a study be made on the nonrefundable assistance, it would be obvious that the contribution of the EU's institutions and of its member states represents 81 percent of the total volume of nonrefundable assistance. Of the countries having developed bilateral assistance programs as well, Germany ranks first, as a major bilateral donor, followed by France, the United States, and Austria. As for the nonrefundable assistance, the United States, followed by Germany, and Italy, stand for the major donors. Until the year 2,000, Romania could absorb a volume of some $10 to $12 billion within the framework of foreign assistance programs, of which just $2 to $3 billion could go for the nonrefundable assistance. As the report shows, the absorption of such programs could be achieved if the programs were integrated within the national strategy of medium- and long-term economic and social development, now about to be made final. Romania's getting ready for joining the EU will be one of the major components of this strategy. (Bucharest ROMPRES in English 1117 GMT 28 Apr 95)

PRIVATIZATION: According to Emil Dima, president of the State Property Fund, some 1,000 state-owned companies have been privatized so far and 515 further dossiers are in various stages of examination. Of the total privatized units, 814 are small, 167 are medium-sized, and 19 are large companies. (Bucharest ROMPRES in English 1200 GMT 27 Apr 95)

CRUDE OIL IMPORTS: According to Cristian Istodorescu, head of the Oil and Gas Department of the Ministry of Industry, Romania will start importing more crude oil as of next May, to cover its domestic needs. The total monthly imports will thus reach 800,000 metric tons, bringing the overall amount of crude processed on a monthly basis to 1.35 million metric tons, compared to the previous 1.2 million metric tons. The crude oil domestically extracted every month amounts to about 550,000 metric tons. The total processing capacity of Romanian refineries is 34 million metric tons per year. (Bucharest ROMPRES in English 0841 GMT 28 Apr 95)

BOLOGNA TRADE FAIR: Romania has been chosen as guest country of the International Consumer Goods Trade Fair Fiera'95, Italy's second largest trade fair and Europe's fifth largest, to be held in Bologna June 9-18. The choice of Romania is the result of the rapid development of economic ties between Romania and Italy, Italian investments in Romania being about $100 million, according to Dante Stefani, director of the Fiera'95. Romania will have a 3,000-square-meter exhibition area at the fair, where firms can present and sell their products and traditional handicrafts. Italy-Romania days are scheduled for June 14-15 and will include seminars on issues related to Romania's transition to the market economy and aspects of the Romanian financial and banking system. (Bucharest ROMPRES in English 1717 GMT 9 May 95)

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EXPOCEMENT 1995 OPENS: Romanian Prime Minister Nicolae Vacaroiu and Industry Minister Dumitru Popescu on 9 May attended the opening of the second EXPOCEMENT fair, which specializes in equipment for the cement industry. Over 30 firms from Romania and 18 from Germany, France, Switzerland, Belgium and Austria will display their products in the exhibition. (Bucharest ROMPRES in English 1720 GMT 9 May 95)

UNEMPLOYMENT DATA: On 5 May, the total number of unemployed was 1,183,729 people, of whom 524,916 were men and 658,813 women. The number of jobless registered at work offices totalled 1,005,467, of which 450,072 are men and 555,495 women. As many as 839,226 unemployed were blue-collar workers, 158,623 were high school graduates and 16,718 graduates of higher schools. The number of unemployment compensation recepients are 472,281 of whom 257,960 are women. As many as 533,286 are receiving relief payments, of whom 297,535 are women. Of the 946,074 unemployed who were no longer registered with work offices, 646,797 people found a job, the rest being suspended or dead. As many as 16,264 work places were reported unoccupied on May 5, of which 642 were for higher school graduates, 2,579 for high school graduates and 13,043 for blue-collar workers. The rate of unemployment was 10.5 percent of the active population. (Bucharest ROMPRES in English 1405 GMT 6 May 95)

DAEWOO MAJOR INVESTOR: According to statistics elaborated by the newspaper ECONOMISTUL, the South Korean automobile manufacturer Daewoo currently ranks first among the 10 major investors in Romania. Daewoo, which invested $156 million in the Romanian automobile industry, is followed by Shell, Stima Engineering, Amoco, and Enterprise Oil, which invested capital ranging between $17 and $45 million. (Bucharest ROMPRES in English 0712 GMT 12 May 95)

FRENCH AID OFFER: The French Government has decided to allot 60 million francs as a nonreimbursable assistance loan for Romania. The main sectors benefiting from these funds are public administration, health, architecture, town planning, and information technology. The French assistance is meant to provide proper logistics and financing of feasibility studies to upgrade the aforementioned sectors. (Bucharest ROMPRES in English 1641 GMT 17 May 95)

Slovakia

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INFLATION: Last year, the inflation rate based on annual consumer price growth was 13.4 percent against the expected 12 percent. The annual inflation rate was 11.7 percent in December. Unemployment was 14.8 percent, a bit higher than the anticipated 14 percent. Real revenues into the state budget totalled Sk139.1 billion, which is Sk4.4 billion more than planned. Yields from value added tax made up the greatest amount (26.6 percent) of revenues. Expenditures totalled Sk162 billion, which means that planned expenditures were overdrawn by Sk12.70 billion (8.5 percent). The GDP grew 4.8 percent in real terms. Nominal wages increased by 17 percent but real wages by only 3 percent. (Prague CTK in English 1815 GMT 2 May 95)

BUDGET: The Slovak Republic's (SR) state budget last year ended with a 22.85 billion Slovak koruna (Sk) deficit but Sk14.03 billion of this were expenditures on the clearing accounting with the Czech Republic (CR), says a draft state budget approved by the cabinet on 2 May. This means that the real deficit was Sk8.83 billion, as compared to the expected Sk14 billion. The inflation rate based on annual consumer price growth was 13.4 percent against the expected 12 percent. The annual inflation rate was 11.7 percent in December. Unemployment was 14.8 percent, a bit higher than the anticipated 14 percent. Real revenues into the state budget totalled Sk139.1 billion, which is Sk4.4 billion more than planned. Yields from value-added tax made up the greatest amount (26.6 percent) of revenues. Expenditures totalled Sk162 billion, which means that planned expenditures were overdrawn by Sk12.70 billion (8.5 percent). The current payment balance account showed a Sk22.8 billion surplus, of which Sk4.1 billion was on the trade balance. The GDP in current prices was Sk398.3 billion, which is a 17.1-percent growth over 1993. The GDP grew 4.8 percent in real terms. Industrial production increased 6.4 percent but construction output fell 3.6 percent. Exports increased 28.5 percent, of which exports to the CR were up 12.5 percent. Nominal wages increased 17 percent but real wages only 3 percent. Last year, investment reached an estimated Sk108 billion. (Prague CTK in English 1801 GMT 2 May 95)

PETRIMEX CEO DISMISSED: As was confirmed to us at the Secretariat of Petrimex Bratislava, Anton Rakicky, director general of this largest foreign trade company in the SR, was presented with a letter of dismissal yesterday morning. Petrimex is responsible for, among other things, almost 50 percent of the SR's oil trade. The

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Board of Directors entrusted Vladimir Palenik with the company's management. Anton Rakicky became publicly known as deputy minister of industry and deputy minister of foreign affairs in two post-1989 governments. He had held both posts concurrently with that of director general of Petrimex. (Bratislava PRAVDA in Slovak 29 Apr 95 p 2)

FIRST QUARTER EMPLOYMENT: Employment increased by 0.5 percent in the first quarter of 1995, compared with the last quarter of 1994, and was 1.3 percent higher than in the first quarter last year. The largest portion of the work force was employed in industry (27.3 percent), followed by trade (10.5 percent), agriculture (9.4 percent), construction (8.5 percent), education (8.3 percent), and transportation and communications (7.7 percent). (Bratislava NARODNA OBRODA in Slovak 27 Apr 95 p 5)

PROFILE OF UNEMPLOYED: According to a Slovak Statistical Office (SUSR) survey, the results of which were released on 26 April, the largest group of unemployed are young people between the ages of 20 and 25 (17.3 percent), followed by 25-29-year-old (15.5 percent) and 15-19-year-old (15.3 percent) youth. The long-term unemployed, that is, those who have been out of work for more than 12 months, represent 51.4 percent of all unemployed. The survey confirmed that there is a direct relationship between unemployment and the level of education. (Bratislava NARODNA OBRODA in Slovak 27 Apr 95 p 5)

BRATISLAVA'S 1995 BUDGET: Bratislava Municipal Council deputies approved the capital's budget for 1995 on 27 April. The budget envisages revenue of Sk1.7 billion, (the decisive part of which, Sk500 million, is accounted for by proceeds from the sale and privatization of municipal property) and expenditure of over Sk1.9 billion. The projected deficit of Sk220 million "is not covered by specific real resources, which is why additional restrictive measures on the expenditure side cannot be ruled out." (Bratislava PRAVDA in Slovak 28 Apr 95 p 2)

PUBLIC SECTOR PAY: Monthly wages in the public sector averaged Sk5,448 in 1994, which was Sk837 below the average for the entire Slovak economy. At Sk5,157, the average wage in education stood 17.9 percent below the national average, and at Sk5,443 in health care 13.4 percent below the national average, despite the high level of education in the two sectors. (Bratislava PRAVDA in Slovak 28 Apr 95 p 3)

CZECH CLEARING ACCOUNT: As of 28 April, the CR exceeded the agreed upper limit of ECU130 million on the clearing account with the SR by ECU163.38 million, the highest sum since the currency separation of February 1993. The CR will settle this amount on 3 May in dollars (about 85 million) and German marks (about 183 million). (Bratislava NARODNA OBRODA in Slovak 29 Apr 95 p 1)

FIRST UAE FAIR: "From the Heart of Europe to the Heart of the Persian Gulf" is the name of the first-ever Slovak fair to be held in the United Arab Emirates (UAE). The fair opened on 1 May in Abu Dhabi. (Bratislava NARODNA OBRODA in Slovak 2 May 95 p 5)

MOCHOVCE NUCLEAR PLANT: Economy Minister Jan Ducky announced after his meeting with Vladimir Dlouhy, the Czech minister of trade and industry, that he had instructed Slovenske Elektrarne (Slovak Power Company; SE) to "enter into specific negotiations with Czech companies" on their participation in the completion of the Mochovce nuclear power plant. While the exact amount of the credit to be provided by Czech banks is not yet known, Ducky said, "there is talk of 6 to 10 billion korunas." The total cost of the plant's completion should be reduced from the 1.42 billion German marks (DM) proposed by the consortium headed by the French EdF company and the European Bank for Reconstruction and Development to "approximately DM1 billion," Ducky said. (Bratislava SME in Slovak 2 May 95 p 2)

FOREIGN TRADE: The SR's foreign trade turnover totalled Sk118.8 billion in the first three months of 1995, which was an increase of Sk21 billion (21.6 percent) against the same period in 1994. The foreign trade surplus in the first quarter amounted to Sk979 million. It was achieved mainly due to the Sk4 billion surplus in trade with EU countries and the Sk5.4 billion surplus in trade with Central European Free Trade Association countries (of which Sk3.5 billion was accounted for by surplus in trade with the CR). On the other hand, Slovakia had an Sk8.3 billion deficit in trade with the Russian Federation in the first three months of 1995. (Bratislava SME PODNIKANIE, PENIAZE, TRH Supplement in Slovak 3 May 95 p 1)

GENERAL CREDIT BANK: The Supervisory Board of Vseobecna Uverova Bank (General Credit Bank—VUB) yesterday recalled Jozef Mudrik from the post of chairman of the Board of Directors and president of the VUB shareholding company, in connection with the Slovak Government's proposal to appoint him vice governor of the National Bank of Slovakia (NBS). The VUB Supervisory Board yesterday elected Jozef Pameticky as the new member of the VUB Board of Directors. After graduating from the Advanced School of Economics, Jozef Pameticky (1957) worked in the Bratislava-City branch of the Czechoslovak State Bank and, sub-

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sequently, as departmental director in the Czechoslovak State Bank Head Office in Prague. After the establishment of the VUB, he worked as director general of the VUB Liquidity Division. The new VUB Board of Directors elected Jan Gabriel as its chairman and VUB president and Jozef Pameticky as deputy chairman and VUB first vice president. (Bratislava PRAVDA in Slovak 10 May 95 p 2)

MONETARY INDICATORS: After yesterday's meeting of the NBS Banking Council, NBS Governor Vladimir Masar and other leading NBS representatives met with reporters. The governor said that in the first four months of the year, monetary policy developed in conformity with the NBS Monetary Program. The development of key monetary indicators was favorable. The commercial banks' reaction to the lowering of the discount rate can also be welcomed, particularly the more distinct cut of interest rates for short-term and non-term deposits and the preferment of medium-term and long-term deposits. Inflation for the first four months of the year reached 2.6 percent (compared with 3 percent in the same period a year ago). Prices rose 0.4 percent in April, compared with March. Annual inflation (April 1995 against April 1994) was 11.2 percent. As of 10 May, the NBS foreign exchange reserves, excluding gold, stood at $2,332.2 million and commercial banks' foreign exchange reserves at $1,578.85 million. The combined reserves of the entire banking sector, including gold, totalled $4,289,8 million. Since the beginning of the year, they went up by $519.5 million. The increase was not achieved by taking new loans but through economic activity, particularly export growth. The largest item of revenue ($468.4 million) was from the CR for exceeding the marginal credit (on the clearing account for payments between the two countries). Incidentally, as of 11 May 1995, the marginal credit had again been exceeded by a record sum: ECU118 million. The current account of the payments balance of the SR was in surplus to the tune of Sk2 billion. An Sk714 million balance of trade deficit was compensated for by an Sk2.9 billion surplus in the balance of services. Exports went up 25.5 percent, with exports in convertible currencies alone increasing by 34.5 percent and exports to EU and European Free Trade Association countries as much as 45 percent. At the end of January 1995, the aggregate gross debt of the government and the NBS amounted to $4.28 billion, of which $4.14 billion was debt in convertible currencies. The net debt amounted to $2.26 billion. As of the end of April, the amount of koruna credits reached Sk267.7 billion, which represents an increase of Sk2.5 billion since the beginning of the year. Koruna deposits reached Sk245.2 billion and were Sk3.2 billion higher than at the end of March. Deposits in foreign currencies stagnated. Their level reached the equivalent of Sk41.4 billion at the end of April. NBS Governor Vladimir Masar also provided information on the state of the budget management. The budget deficit amounted to Sk4.9 billion on 11 May. To arrive at the real budget deficit, however, we have to subtract from this sum the impact of the clearing system with the CR, which represents Sk3.4 billion. In keeping with the law, the entire deficit is covered by state treasury bills. Vladimir Masar also reported on the results of an NBS delegation's visit to Australia and New Zealand, during which negotiations were held with representatives of the Asian Development Bank (ADB) on possible membership of this institution. (Most EU states are already represented in the ADB). (Bratislava PRAVDA in Slovak 16 May 95 pp 1, 2)

FIRST QUARTER EXPORTS: The SR's exports in the first quarter of the year totalled Sk59.823 billion, Sk12.527 billion (26.5 percent) more than in the same period in 1994. The largest proportion of Slovak exports went to the CR (34.6 percent), followed by Germany (20.7 percent), Italy (5 percent), Hungary (4.7 percent), Austria (4.5 percent), Poland (3.4 percent), and Russia (3.3 percent). The SR's imports in the first three months of the year amounted to Sk58.995 billion and were Sk8.544 billion (16.9 percent) higher than in January-March 1994. Most imports came from the CR (29.2 percent), followed by Russia (17.5 percent), Germany (13.9 percent), Austria (5.3 percent), Italy (3.8 percent), Poland (2.7 percent), and the United States (2.4 percent). (Bratislava SMENA EKONOMIKA Supplement in Slovak 4 May 95 p 1)

TRADE WITH CR: Slovakia's trade balance with the CR continues to develop favorably. Following an Sk1.1 billion trade surplus in 1993 and an Sk17.4 billion trade surplus in 1994, Slovakia achieved a trade surplus of Sk3.5 billion in the first quarter of 1995. The CR accounted for one-third of Slovakia's foreign trade turnover (34.6 percent of exports and 29.2 percent of imports) in the first three months of the year. According to Czech data, however, the CR had a surplus of 1.3 billion Czech korunas (Kc) in its trade with Slovakia in the first three months of the year (Kc17 billion worth of Czech exports; Kc15.7 worth of imports). The Czech-Slovak trade volume of almost Kc33 billion in the first three months of the year was 8 percent higher than in the same period a year ago. According to Czech data, the Czech deficit on the clearing account with Slovakia is caused by payments for services. (Bratislava SMENA in Slovak 6 May 95 pp 1, 2; Bratislava NARODNA OBRODA in Slovak 16 May 95 p 5)

BRATISLAVA STOCK EXCHANGE: According to Marian Sasik, secretary general of the Bratislava Securities Exchange (BCPB), the BCPB will innovate its

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SAX stock market index as of 15 May. The "new" SAX will be based on the prices of 12 shares, instead of the 8 shares being monitored at present. The newly included shares are those of Chirana-Prema Stara Tura (medical appliances), Slovenske Lodenice Komarno (ship building), Povazske Strojarne (machine building), and Plastika Nitra (plastics). According to Sasik, the introduction of the new index will mean an approximately 3-point rise in the SAX value. The other eight securities on which the SAX is based are the shares of Nafta Gbely (natural gas), Slovnaft (oil refinery), Ozeta Trencin (textiles), Biotika (pharmaceuticals), Vseobecna Uverova Banka (General Credit Bank), Investicna a Rozvojova Banka (Investment and Development Bank), and Slovenska Pojistovna (Slovak Insurance Company). (Bratislava NARODNA OBRODA in Slovak 11 May 95 p 5; Bratislava SMENA in Slovak 18 May 95 p 4)

FIRST QUARTER RETAIL SALES: Retail sales totalled Sk55.4 billion in the first quarter of the year, which represented an 11.7 percent increase against the first quarter of 1994. When account is taken of inflation, however, retail sales declined by 0.2 percent. (Bratislava HOSPODARSKE NOVINY in Slovak 12 May 95 p 2)

AGRICULTURAL CONCERNS: Agricultural businesses reduced their losses from Sk6.6 billion in 1993 to Sk3.4 billion last year, which is slightly more than the originally anticipated Sk2.7 billion. Insolvency and indebtedness remain a big problem: Agricultural businesses' debts went up from Sk27.2 billion in 1993 to Sk29 billion last year, while their overdue claims increased from Sk12.9 to Sk13 billion. The losses were not reduced because of efficiency improvements, however, but because of decline in the volume of production and employment. The agricultural workforce declined by 17,000 in 1994. (Bratislava HOSPODARSKE NOVINY in Slovak 12 May 95 p 3; Bratislava PRAVDA in Slovak 12 May 95 p 3)

INDUSTRIAL OUTPUT: Industrial goods worth Sk114.1 billion were produced in the first quarter of the year, according to SUSR data, an increase of 7.4 percent over the same period a year ago. First quarter construction volume totalled Sk8.7 billion and was 0.3 percent higher than in January-March 1994. (Bratislava SME PODNIKANIE, PENIAZE, TRH Supplement 16 May 95 p 1)

STATE BONDS: On 15 May the Slovak Finance Ministry issued State Bond No. 11 to the amount of Sk6.04 billion, already the fourth issue of state bonds to cover the 1993 budget deficit. The bond yields 10.9 percent annually and has a maturity of 5 years. Demand for the bond issue exceeded supply: Banks, insurance companies, and security dealers had placed orders for 723,000 bonds, but only 604,000 bonds were sold (each bond had a nominal value of Sk10,000). With this latest bond issue, Sk16.33 billion (70.96 percent) of the 1993 budget deficit has been covered. (Bratislava PRAVDA FINANCNE SPRAVODAJSTVO Supplement in Slovak 17 May 95 p 5)

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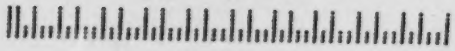

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